# The Economic Contribution of Copyright Industries in the Republic of Ecuador

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# The Economic Contribution of Copyright Industries in the Republic of Ecuador



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# Abbreviations

| English | Spanish |
|---|---|
| Andean Community of Nations | Comunidad Andina de Naciones (CAN) |
| Artists and Audiovisual Authors' Society of Ecuador (UNIARTE) | Sociedad de Gestión de Artistas y Autores Audiovisuales del Ecuador (UNIARTE) |
| Copyright Collecting Societies (CCS) | Sociedad de Gestión del Derecho de autor |
| Copyright industries (CIs) | Industrias del Derecho de Autor |
| Copyright Collecting Society for Audiovisual Producers (EGEDA) | Entidad de Gestión de Derechos de los Productores Audiovisuales (EGEDA) |
| Ecuadorian Institute of Intellectual Property (IEPI) | Instituto Ecuatoriano de la Propiedad Intelectual (IEPI) |
| Gross Value Added (GVA) | Valor agregado bruto |
| International Standard Industrial Classification (ISIC) | Clasificación Internacional Industrial Uniforme |
| International Standard Book Number (ISBN) | Número Estándar Internacional de Libros |
| Industrial Classification of National Accounts (CICN) | Clasificación Industrial de Cuentas Nacionales |
| Internal Revenue Services (SRI) | Servicio de Rentas Internas (SRI)* |
| Ecuadorian Central Bank (BCE) | Banco Central del Ecuador (BCE)* |
| National Customs System of Ecuador (SENAE) | Servicio Nacional de Aduana del Ecuador (SENAE)* |
| National Economic Census (NEC) | Censo económico nacional |
| National Employment and Unemployment Survey (ENEMDU) | Encuesta nacional de empleo y desempleo (ENEMDU) |
| National Institute of Census and Statistics (INEC) | Instituto Nacional de Estadística y Censo (INEC) |
| National Secretariat of Higher Education, Science, Technology and Innovation (SENESCYT) | Secretaría Nacional de Educación Superior, Ciencia, Tecnología e Innovación (SENESCYT)* |
| Products Classification of National Accounts (CPCN) | Clasificación de Productos de las cuentas nacionales (CPCN) |
| Phonographic Production Society | Sociedad de Productores de Fonogramas (SOPROFON) |
| Regional Center for the Promotion of Books in Latin America and the Caribbean (CERLALC) | Centro Regional para el Fomento del Libro en América Latina y el Caribe (CERLALC) |
| Society of Artists, Performers and Musicians of Ecuador | Sociedad de Artistas, intérpretes y Músicos ejecutantes del Ecuador (SARIME) |
| Society of Authors of Ecuador (SAYCE) | Sociedad de Autores del Ecuador (SAYCE) |
| System of National Accounts (SNA) | Sistema de Cuentas Nacionales (SNA) |
| Social Economy of Knowledge Statutes Code (COESC) | Código orgánico de economía social del conocimiento (COESC) |

# Executive Summary

Creative industries in Ecuador have traditionally played a significant role in developing the country, safeguarding its culture and reinforcing its national identity. This survey examines for the first time[1] the economic aspects of Ecuador's creative industries and measures the economic contribution of industries supported by copyright and related rights (copyright industries).

The survey establishes that from 2010 to 2014, copyright industries in Ecuador experienced rapid growth and increased their share of GDP from 3.65 per cent to 4.47 per cent, or 3,116 million US dollars in monetary terms. In 2014, the creative sector generated 3.47 per cent of national employment (240,497 jobs), a decline from the 4.03 per cent generated in 2010. During this period, Ecuador remained a net importer of creative goods and services. While the Ecuadorian economy expanded during this period by 23.5 per cent, the value-added in constant prices generated by the creative sector rose by 51 per cent, suggesting a sustained positive trend and considerable growth.

The largest contribution was generated by the core copyright industries, which accounted for 57 per cent of the total value-added by the sector and themselves grew by 76.3 per cent, cementing their status as the most dynamic component of the creative sector. Among the core copyright industries, the main drivers were software and databases (33.8 per cent with a growth rate of 196 per cent), followed by advertising services (32.1 per cent with a growth rate of 102.5 per cent). The traditionally strong publishing industry (press and literature) saw its share decrease from 30.3 per cent to 16.8 per cent, but remained the largest employer in the creative sector with 28 per cent of total employment, followed by advertising (17 per cent), software (12 per cent) and radio and television (11 per cent). Collecting societies experienced remarkable growth – 215.3 per cent – in the collection and distribution of copyright royalties.

Statistics suggest that Ecuador's creative sector is performing slightly better than the average for Latin America (4.44 per cent), but remains lower than the global average (5.16 per cent). The results of the survey show that the contribution of Ecuador's copyright industries is consistent with the performance of the sector in developing countries and in general.

The first of its kind in the country, this survey provides valuable insight into the size and structure of creative industries. It sheds light on the importance of the entire ecosystem in supporting creativity, the role of the regulatory and enforcement framework and the need to adapt to new digital developments. It also highlights the need to improve and institutionalize information systems to enable regular measurement of the size of the sector, with a view to monitoring trends and adjusting policies on the basis of evidence. Thus, regular surveys of the economic contribution of copyright industries could become a tool for the implementation of appropriate public policies and industry strategies to address the unremitting challenges faced by creative industries and the changes they are undergoing.

This research was conducted at the request of the Government of Ecuador, under the auspices and with the financial support of the World Intellectual Property Organization (WIPO). It was based on the methodological guidelines published by WIPO[2] to ensure comparability of the results with over 50 countries around the world. The research is based on robust statistical information, case studies and numerous interviews with stakeholders, to enable in-depth analysis. The objective of this endeavor is to contribute to a better understanding of the functioning and size of the creative sector and to reveal its contribution and potential for driving economic growth. It is hoped that this report will provide a meaningful contribution to bridging the information gap in this area.

[1] As this report was being finalized, the Ministry of Culture and Heritage published the Cultural Satellite Accounts for Ecuador. Although both studies have similar objectives, the methodology and timing analysis are different. Overall, this research is based on the Guide on Surveying the Economic Contribution of the Copyright Industries (WIPO, 2015), which mainly uses ISIC categories for classification; fields of study are more general and incorporate an approach to measuring copyright-related additional and support industries. Moreover, the publication of the Cultural Satellite Accounts is a major effort to generate information for decision-making at the national level, using a static analysis with reference information from 2007. This study is a dynamic analysis based on more recent sources of information.

[2] WIPO (2015), Guide on Surveying the Economic Contribution of the Copyright Industries.

# 1. OVERVIEW

In the midst of a new era of economic transition towards what is known as the "knowledge economy" or, according to some theorists, the "new economy", economic activities based on knowledge and creativity have emerged as one of the main drivers of sustainable development. Recently, creative industries were identified as one of the most significant vectors of value creation (Greffe, 2010). They are also considered the cornerstone of sustained economic growth processes.

According to traditional economic theories, intellectual property is an appropriate tool to promote the creation, innovation and dissemination of the production processes of goods and services with high knowledge components. However, while innovation and technological progress are important determinants of economic growth, a basic condition for promoting growth is the existence of a basic legal framework that guarantees the proper private and public incentives for technology development. Some authors even explain the rise of the industrial revolution as a process made possible only by the new role of government in the enforcement of copyright to protect new inventions (North, 1981).[3] Nonetheless, in regard to intellectual property rights governance, there is currently a wide range of theories, some of which consider intellectual property as a legal regime that enables the recognition, protection and promotion of the production of knowledge to guarantee fundamental rights for societies. This rich theoretical debate, which is far from being settled, exceeds the scope of this study.

Copyright is the institutional framework that regulates the management of intellectual property in its various forms by creative industries.[4] Copyright can be broadly defined as the set of rules that regulate the ownership and moral rights of authors of any intellectual source, fundamentally artistic and scientific, in order to ensure adequate economic remuneration or to provide social incentives for the innovative process. An important element of any economic analysis is the differentiation of copyright and industrial property. Industrial property includes patents, trademarks, trade names and industrial designs. Copyright refers to all writings, dramatic works, musical compositions, drawings, paintings and sculptures, printouts, plans and maps, photographic portraits and letters, software and databases, phonograms, video recordings, multimedia and websites (Massot *et al*., 2013).

Although copyright has deep historical roots, it is essential now to analyze its influences on globalization and digitalization in order to conceptualize and apply it (Benhamou & Farchy, 2013).

In the case of Ecuador, various national development plans approved by the Ecuadorian government in recent years (the National Development Plan and the 2007-2009 National "Good Living" Plan ) considered copyright industries (CIs) as one of the main paths towards transition in any economic model. The 2013-2017 National "Good Living" Plan even considers the intellectual property regime crucial to capacity-building for the people (p. 160) and as an appropriate mechanism for promoting the use and dissemination of domestically generated knowledge (p. 172). Creative industries are a preeminent alternative to the current oil-dependent economy, which is based on production of primary (raw) goods.

In this light, several factors explain why this study is of particular interest. Firstly, policies regulating CIs are being reformed. Secondly, the methodology used is an important contribution to the economic sectors related to CIs. Thirdly, this report should offer significant inputs into the formulation of public policies and decision-making concerning all CI-related sectors.

Ultimately, the historical overview of Ecuadorian copyright legislation and institutions, the analysis of the performance of the representative copyrights in the country and the public policy recommendations of this report are interrelated elements that will provide a consistent assessment of the sector.

This research was undertaken at the request of the Ecuadorian Institute of Intellectual Property (IEPI) and sponsored by the World Intellectual Property Organization (WIPO). It will follow the practices established in similar research in Latin America.

[3] North, D. (1981), Structure and change in economic history, New York, Norton.
[4] This report considers the categories of copyright and creative industries as equivalent.

The study is also based on the methodological framework proposed by the Guide on Surveying the Economic Contribution of the Copyright Industries – Revised Edition (WIPO, 2015) ("the WIPO Guide") and will be adjusted relative to the availability of information and the distinctive features of the Ecuadorian economy.

The uniqueness of this study lies in its efforts to identify and measure the economic impact of copyright industries in the national economy; no such study has been conducted before in Ecuador before. There is growing interest in Latin America and in the world in assessing this aspect of the economy. For instance, Colombia, Argentina, Mexico, Panama and other Latin American countries [5] have published national reports in the last few years. The study's relevance lies precisely in filling the gap between the lack of information and the most recent studies produced in this area. This is especially important in achieving the country's economic objectives.

In Ecuador, economic transition via the social knowledge economy using, among other strategies, the creation of a public university for arts (UNIARTES), requires technical support. The study could also provide more guidance for the economic sectors involved and information on how to develop them in coming years.

Despite the innovation in the literature about creative industries and technology-based economies, contemporary debate continues to oscillate between either strengthening the rights of artists and creative people or expanding the dissemination of intellectual works and improving access for the general public. In this context, it appears urgent to strike a balance between offering economic incentives for production and the development of the sector, and enabling democratic access to valuable knowledge to improve societal wellbeing.

It is worth mentioning the growing global and regional interest in studying creative industries by producing reports on economic outcomes. The implementation of studies similar to this one could be taken as indicative of an international trend whereby internationally comparable copyright indicators have been produced since 2003. Approximately 50 countries have already implemented WIPO's methodology, six of them in Latin America; Ecuador is the seventh.

This study is therefore a valuable tool for the characterization of a sector of high importance to the country, not only owing to the representativeness and economic contribution calculated in this study, but also because it is a strategic sector for development objectives. It consolidates a national cultural reference point for its international projection.

This report is also an opportunity to promote the institutionalization of measurement systems adapted to creative industries. It is important that this effort should be sustained over time, such that the country can build a reliable sector baseline to evaluate policy and economic trends.



[5] See http://www.wipo.int/copyright/en/performance/.

# 2. THE ECUADORIAN COPYRIGHT SYSTEM

Copyright is an intellectual property category that deals with the creation of artistic works and other activities that originate from the creations of economic agents. In Ecuador, copyright is governed by the intellectual property law of 1998.

In recent decades, efforts to understand the magnitude and reach of copyright have been the preserve of legal specialists. Instead, the focus of this report is the assessment of copyright from an economic perspective with a view to tackling its social scope.

For example, the Internet and digital industries have compelled a rethink of some of the historical canons of copyright, in respect of its structural components, which are moral and economic (see Textbox 1). The dematerialization of media for a number of artistic works (music, books, etc.) has, in particular, become a pivot around which the structural social commitments of copyright dogma are being reframed.

It is important to have an overview of the main elements and structures of copyright in Ecuador before understanding the other aspects more broadly. To this end, the study will begin with a historical overview of the Ecuadorian legal copyright system and its relationship with main international trends in the area. This will be followed by a review of the institutional framework of copyright in Ecuador, describing the principal agents, stakeholders and regulatory institutions of the sector.

**Forms of intellectual property recognized in Ecuador**

1. Copyright

A. Copyright (exclusive for content creators)

   a. moral rights (recognition of authorship and edition)

   b. economic rights (commercial exploitation)

      (i) reproduction

      (ii) public performance

      (iii) recording

      (iv) broadcasting

      (v) translation and adaptation.

B. Related rights (performers, producers and broadcasters of content)

   a. performers

   b. producers and audio recorders

   c. broadcasters

Source: IEPI (2014), Propriedad Intelectual

## 2.1 Brief history of copyright in Ecuador: legal framework, institutions and international context

Historically, the legal background of copyright in Ecuador has been influenced by international legislation and its institutional context. International legislation and related institutions have been the cornerstone of the construction and implementation of essential regulation of intellectual property and copyright, both at its different conceptual levels and within the political and institutional framework.

This chapter sets out a chronology detailing the development of copyright-related law and regulations in Ecuador. There are three milestones: the establishment of copyright principles in the late 19th century; a second period from the mid-1970s to the late 1990s, marked by a strong relationship with international organizations; and a final stage

### *1887-1976: The beginnings of copyright in Ecuador*

The history of copyright and related rights in Ecuador starts in the late 19th century. On August 8, 1887, the Law on Literary and Artistic Property was enacted. After a year, the Registry of Literary and Artistic Property began operating. This was a milestone in the institutionalization of copyright protection. Anecdotally, the first work registered was "Writings and Speeches" by Gabriel García Moreno[6], who was twice President of Ecuador (1861-1865 and 1869-1875), published by the Catholic Youth Society of Quito.

Undoubtedly, the international context of the late 19th century – at the peak of the second industrial revolution – directly influenced Ecuadorian legislative initiatives. The last two decades of the century were instrumental to the conceptual and institutional development of copyright and, in general, of intellectual property legislation worldwide. After the emergence of the first international treaties on intellectual property and related fields (the Paris Convention of 1883 and the Berne Convention of 1886), the first international office dedicated to the study and protection of intellectual property was created, namely the United International Bureaux for the Protection of Intellectual Property (BIRPI), in 1893.

In 1959, after 72 years, the Copyright Act replaced the 1887 Law on Literary and Artistic Property, regulating the same areas: copyright, writers, sculptors, composers, publishers and others.

One of the central elements of both regulatory bodies was that temporal protection for the literary works remained identical: 50 years after the author's death. They also promoted the registration of works with the official institution, triggering copyright enforcement efforts.

### *1976-1998: Copyright building and the contribution of international organizations*

In 1967, the UN General Assembly created the World Intellectual Property Organization (WIPO). It was not until 1974 that it became a specialized agency of the UN system, later establishing its headquarters in Geneva, Switzerland in 1978. The issuance of specific rules relative to copyright in Ecuador could be related to the creation of this global governing body. In August 1976, Ecuador enacted a new Copyright Act.

While this law was in force, the complementary Book Development Act (1987) came into being. This initiative, one of several standards and incentives established in article 20, in coordination with the National International Standard Book Number (ISBN) Agency, promoted new regulatory institutions for copyright that were central to its development.

The 1970s and the 1980s were momentous decades for Ecuador in terms of copyright institution-building, particularly as a result of its relationship with international organizations in copyright research. In the first half of the 1980s, the Ecuadorian National Copyright Registry Office maintained a fruitful institutional relationship with WIPO, as well as with UNESCO, the Regional Center for the Promotion of Books in Latin America and the Caribbean (CERLALC) and counterpart government departments in the region.

The relationship with WIPO has been a major determinant. The organization has provided continuous technical assistance through training in matters of authorship and several international courses and events, which were adapted to the national situation and were important in enhancing the functions and tasks of the National Copyright Registry.

Ecuador's accession to the Berne Convention (Paris Act of July 24, 1971, amended on September 8, 1978) was one of the most significant achievements during a period of close cooperation with international organizations. By signing this Convention, Ecuador buttressed its legal framework to international standards such as the Inter-American Convention on the Rights of the Author in Literary, Scientific and Artistic Works, adopted in Washington in 1946; the Universal Copyright Convention, adopted in Geneva in 1952; the Rome Convention of 1961; and the Convention for the Protection of Phonogram Producers, adopted in 1971.

During the 1990s, the Andean Community of Nations (CAN) was one of the regional forums offering the most support for copyright issues. The CAN aimed to boost protection for authors in member countries. Thus, they established common regulations, such as Decision No. 351, the "Common Provisions on Copyright and Related Rights", which became part of the Ecuadorian legal framework in 1994.

[6] García Moreno G. and Pólit Lasso M. (1887) Escritos y Discursos, Quito, Imprenta del Clero.

A milestone in the history of intellectual property and copyright was Ecuador's accession to the World Trade Organization (WTO) in 1996 and, consequently, the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). In 1998, a new Intellectual Property Rights Act hewed so faithfully to the principles of this treaty, that it was dubbed "TRIPS Plus".

### *1998-2015: Strengthening copyright institutions in Ecuador*

The Intellectual Property Right Act of 1998 remains in force today, although its content is considered TRIPS Plus (i.e., its principles and provisions surpass international standards). Its goal is to improve protection for intellectual property rights which, according to the act, is to be accomplished by complying with the principles of universality and international harmonization; responding to the challenges posed by new technology; and suppressing, through appropriate rules, illicit practices that infringe the rights of creators of intellectual works. This act abrogates the Copyright Act of 1976, unifying legislation governing copyright and related rights, industrial property and plant varieties into a single law. One of its provisions creates the Ecuadorian Institute of Intellectual Property (IEPI) by merging the three agencies responsible for managing intellectual property. This was a major change in the institutional framework of copyright and, in general, of intellectual property in Ecuador: for the first time, an independent institution was part of the central government and was dedicated exclusively to managing and regulating copyright issues.

The 1998 Act is ambitious and some provisions go further than international treaties (such as the TRIPS Agreement). For example, in regard to post-mortem rights, TRIPS requires 50 years, while this act protects post-mortem copyright for 70 years.

Currently, after almost two decades of enactment of copyright laws, several sectors – and the current government – have proposed amendments to this law. The evolution of knowledge-based economic sectors and the ongoing digital revolution pose new challenges of a different dimension. One of them is precisely the reformulation of legal frameworks to adapt to the new characteristics of economic models based on value chains in various creative industries.

The 1998 Act is currently being reviewed. Led by the National Secretariat of Higher Education, Science, Technology and Innovation (SENESCYT) and the IEPI, the evaluation process is carried out through an interesting participatory online process[7] intended to engender a new Organic Code of the Social Economy of Knowledge and Innovation (COESC). One of its chapters proposes amendments to intellectual property rights. At the time of delivery of this report, the National Assembly was still examining the project[8].

[7] 16,000 users have been registered, 40,000 amendments to the text have been proposed, and the site has seen a total of 1.7 million visits. The latest version presented to the National Assembly is available at http://coesc.educacionsuperior.gob.ec.
[8] Information updated in July 2016.

### Copyright protection of creative works in Ecuador

Protection of copyright concerns all intellectual work in the literary or artistic field; whatever their genre, form of expression, merit or purpose. The rights recognized in this part are independent of the ownership of the material object in which the work is embodied, and their enjoyment or exercise are not subject to the requirement of registration or compliance with any other formalities.

*Protected works include the following:*

(a) books, brochures, pamphlets, letters, articles, novels, stories, poems, reviews, essays, scripts for theater, film, television, conferences, speeches, lessons, sermons, pleadings in court, memoranda and other works of a similar nature, expressed in any form;

(b) collections of works, such as anthologies or compilations and databases of all kinds, which by reason of the selection or arrangement of their contents constitute intellectual creations, without prejudice to any copyright subsisting in the data or material contained;

(c) dramatic and dramatico-musical works, choreographies, pantomimes and plays in general;

(d) musical compositions with or without lyrics;

(e) cinematographic works and any other audiovisual works;

(f) sculptures and works of painting, drawing, engraving, lithography and graphic comics, comics, and essays or sketches and other works of art;

(g) projects, plans, models and architectural and engineering designs;

(h) illustrations, graphs, maps and drawings relating to geography, topography, and general science;

(i) photography and assimilated works expressed by a process analogous to photographic works;

(j) works of applied art, although their artistic value cannot be dissociated from the industrial character of the objects in which they are incorporated;

(k) computer programs; and

(l) adaptations, translations, arrangements, reviews, updates and annotations; compendia, summaries and extracts; and other transformations of works made with the express permission of the authors of the original works, without prejudice to their rights.

Without prejudice to the rights subsisting in the original work and the corresponding authorization, works are also protected as derivative works, provided that original character, the following:

(a) translations and adaptations;

(b) revisions, updates and annotations;

(c) summaries and extracts;

(d) musical arrangements; and

(e) other alterations of a literary or artistic work.

Excerpt of Articles VIII and IX, Preliminary Title, Intellectual Property Law (1998)

## 2.2 Copyright infrastructure in Ecuador

Copyright infrastructure refers to national and international, public and private organizations whose action has some incidence on the production processes of core copyright industries.

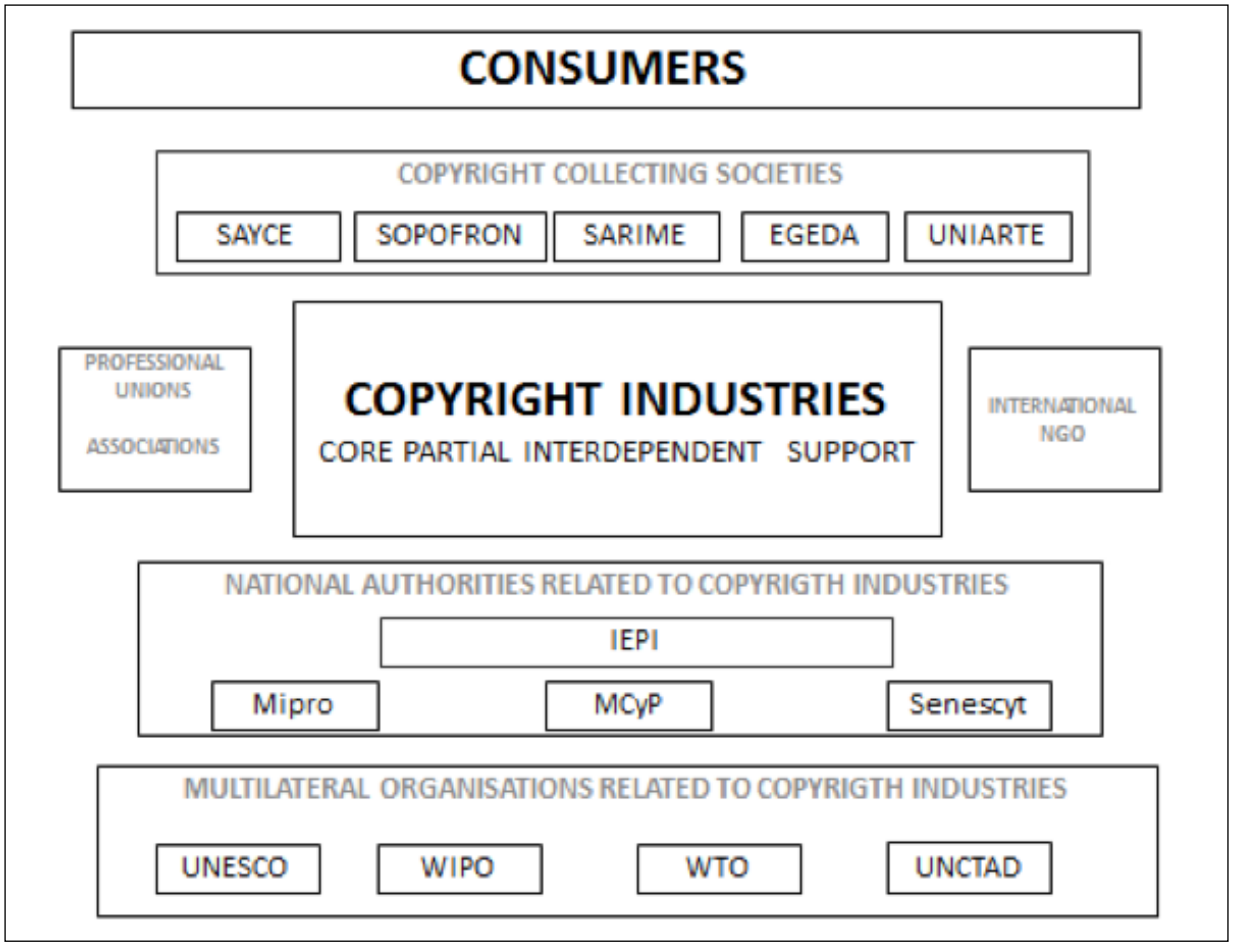
The chart below distinguishes 4 levels of organizations that support CIs:

(a) international organizations whose fields of legislation and work directly concern CIs;

(b) government agencies with responsibilities related either to copyright or to the promotion of related industries;

(c) non-governmental organizations related to the unionization, partnership and strengthening of activities related to CIs; and

(d) copyright collecting societies collecting remuneration on behalf of members of different creative industries.




The following section provides a more detailed overview of the two organizations which are of particular importance to the development of the sector in Ecuador: Copyright Collecting Societies and the Ecuadorian Institute of Intellectual Property.

### *Copyright Collecting Societies in Ecuador*

Over time, collective management has proven to be one of the most effective mechanisms for managing copyright and related rights (such as for artists and authors). Copyright Collecting Societies (CCS) are private organizations that both defend rightholders' interests and are responsible for the administration and collective management of copyright and the rights of performers and producers. They also facilitate and promote the enforcement of copyright regulations. Operatively, they are required to collect royalties for the use of a repertoire under their management, and then distribute royalties, based on proportionality criteria, for the actual use of rightholders' works or services.

Since the enactment of the Intellectual Property Rights Act in 1998, CSSs have grown considerably in stature and play a representative role in the collection and management of copyright. The Society of Authors and Composers of Ecuador (SAYCE), founded in 1973, is the oldest CCS in Ecuador. Other important CCS are the Society of Phonogram Producers (SOPROFON), founded in 1998, and the Society of Artists, Performers and Musicians of Ecuador (SARIME), created in 1999. In 2001, the Copyright Collecting Society for Audiovisual Producers (EGEDA) was created to represent domestic and foreign audiovisual producers. Finally, the Union of Visual and Audiovisual Artists of Ecuador (UNIARTE) is the most recent CCS. Given that UNIARTE was created in 2015, this study does not include information regarding its operations.

**Table 2-1: Copyright Collecting Societies**

| Name | Date of creation | No. of members (2015) |
|---|---|---|
| Society of Authors and Composers of Ecuador (SAYCE) | 1973 | 2040 |
| Copyright Collecting Society for Audiovisual Producers (EGEDA) | 2002 | 64 |
| Society of Phonogram Producers (SOPROFON) | 1999 | 30 |
| Society of Artists, Performers and Musicians of Ecuador (SARIME* | 1999 | 400 |
| Artists and Audiovisual Authors' Society of Ecuador (UNIARTE)* | 2015 | - |

* Data not available (society created in 2015)

Sources: IEPI, Copyright Societies

The growth in revenue collection for all collecting societies shows their increased activity and their position as important stakeholders in copyright management in Ecuador. SAYCE, the oldest and largest CCS, reached in 2014 a historic collection record of 3.7 million US dollars. This represented an increase of 117 per cent from 2011 to 2014. SOPROFON and SARIME, conducting a joint revenue collection exercise, garnered nearly 1.5 million US dollars in 2014, with equally high growth (82 per cent from 2011 to 2014). EGEDA, with a lower level of revenue, had the highest growth rate during the same period (1,009 per cent).

**Table 2-2: Income and revenue of Copyright Collecting Societies**

| Name | 2011 | | 2012 | | 2013 | | 2014 | | % Growth 2011-2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Income | Revenue | Income | Revenue | Income | Revenue | Income | Revenue | Income | Revenue |
| Society of Authors and Composers of Ecuador (SAYCE) | 1724.8 | 1214 | 2601.4 | 1864.9 | 2705.9 | 1913.1 | 3747 | 2622.9 | 117% | 116% |
| Society of Artists, Performers and Musicians of Ecuador (SARIME) | 811 | 21.2 | 1115 | 84.6 | 1133 | 286.2 | 1475 | 550 | 82% | 2484% |
| Society of Phonogram Producers (SOPROFON) | | 170.9 | | 290.9 | | 418.6 | | 566.5 | | 231% |
| Copyright Collecting Society for Audiovisual Producers (EGEDA) | 25.2 | N.D. | 42.9 | N.D. | 146 | 171.4 | 279.7 | N.D. | 1009% | – |
| Artists and Audiovisual Authors' Society of Ecuador (UNIARTE)* | – | – | – | – | – | – | – | – | – | – |

* Data not available (society created in 2015)

Source: IEPI and collecting societies

### *The National Intellectual Property Rights Authority: from copyright office in the Ministry to the Ecuadorian Institute of Intellectual Property (IEPI)*

In 1978, the National Copyright Registry Office was established under the aegis of the Ministry of Education and Culture. This was the first government office charged with specific copyright management tasks. Its duties and responsibilities included the registration of works and contracts and the documentation of CCS. The Registry's activities changed substantially in 1984, when it became part of the Department of Culture in the Ministry of Education.

Article 346 of the Copyright Act of 1998 established the Ecuadorian Institute of Intellectual Property (IEPI) "as a public legal person having its own assets and administrative, economic and operational autonomy, with headquarters in Quito". The IEPI has six organs: the President, the Board, the Committee on Intellectual Property, the National Directorate of Industrial Property, the National Directorate of Copyright and Related Rights and the National Directorate of New Plant Varieties. Thus, the IEPI encompasses all the ministerial offices which were previously responsible for intellectual property management: the National Directorate of Industrial Property of the Ministry of Foreign Trade, Industrialization and Fisheries; the National Copyright

Registry Office of the Ministry of Education and Culture; and the National Directorate of Plant Varieties of the Ministry of Agriculture.

Since its creation, the IEPI has played an active role in copyright management. Its activities appear to have gained nationwide scope in regard to creative processes. There is evidence of a notable growth of material protected by copyright registries. The table below shows this growth between 2001 and 2010.

**Table 2-3: Registration of copyright-protected material in the National Institute of Intellectual Property**

| Year | Phonograms | Periodicals | Software | Cinematographic works | Audiovisual works | Radio broadcasts | TV broadcasts | Literature | Musical works | Artistic works | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 | 89 | 5 | 109 | 2 | 15 | 0 | 7 | 906 | 139 | 17 | 1289 |
| 2001 | 54 | 7 | 90 | 0 | 5 | 0 | 1 | 1081 | 114 | 103 | 1455 |
| 2002 | 65 | 5 | 106 | 6 | 1 | 1 | 1 | 1033 | 159 | 32 | 1409 |
| 2003 | 64 | 9 | 118 | 3 | 8 | 11 | 8 | 1296 | 164 | 64 | 1745 |
| 2004 | 98 | 9 | 104 | 7 | 8 | 3 | 23 | 1423 | 181 | 85 | 1941 |
| 2005 | 75 | 9 | 132 | 4 | 5 | 2 | 6 | 2237 | 206 | 149 | 2825 |
| 2006 | 77 | 3 | 112 | 2 | 37 | 5 | 27 | 1721 | 175 | 112 | 2271 |
| 2007 | 119 | 3 | 98 | 8 | 11 | 0 | 13 | 1724 | 278 | 77 | 2331 |
| 2008 | 104 | 2 | 135 | 3 | 15 | 1 | 0 | 1671 | 236 | 91 | 2258 |
| 2009 | 116 | 14 | 144 | 12 | 28 | 0 | 0 | 1990 | 414 | 136 | 2854 |
| 2010 | 213 | 42 | 164 | 12 | 32 | 2 | 18 | 2387 | 506 | 313 | 3689 |
| 2011 | 110 | 37 | 244 | 10 | 76 | 4 | 28 | 3077 | 449 | 330 | 4365 |
| 2012 | 135 | 23 | 214 | 18 | 30 | 7 | 50 | 2.657 | 522 | 271 | 3927 |
| 2013 | 166 | 17 | 223 | 14 | 60 | 6 | 21 | 2.731 | 758 | 274 | 4270 |
| 2014 | 125 | 14 | 206 | 35 | 64 | 4 | 11 | 2.611 | 664 | 255 | 3989 |

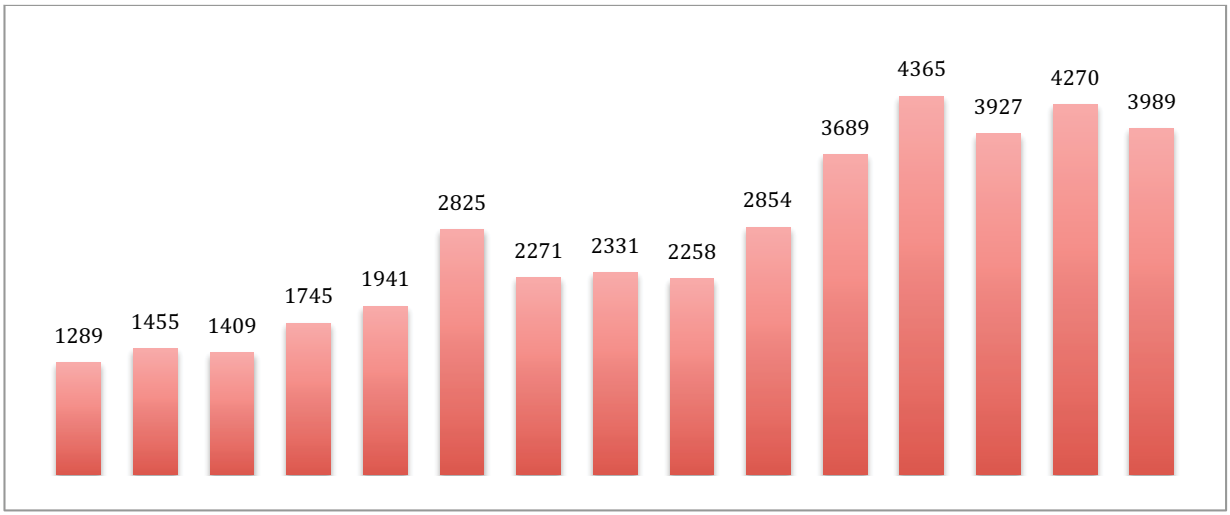
Source: IEPI database.

Since 2006, under the auspices of WIPO, Ecuador has had an automated database system for records and works contracts. The GDA[9] system, used internationally as a standard for WIPO member countries, has facilitated the comprehensive management of records in Ecuador and has become indispensable for its efficient operation. Similarly, thanks to the IEPI's own efforts, the country has an interface that permits the online registration of works.

These technological advances make for better monitoring of registration processes and constitute an incentive for authors to register because they expedite the process and generate certificates of registration.

[9] http://www.wipo.int/copyright/en/initiatives/gda.html.

**Figure 2-1: Total registration of copyright material with IEPI, 2010-2014**




Source: IEPI

### *Issues and institutional challenges to copyright in Ecuador*

Various facts support a positive outlook for copyrights in Ecuador. The most salient is the legitimacy of a public institution (the IEPI) specifically dedicated to regulating and promoting intellectual property in the midst of a changing institutional context at the national level, the growing figures for fee collection by CCS, the consequent growth of royalties earned by creative artists and the implementation of original mechanisms for the use of the collected copyright revenues (such as EGEDA).

Nonetheless, some important institutional elements are still to be recognized and assessed. They include reinforcing an institutional infrastructure that is more closely tailored to the requirements of the creative sectors (there was significant instability of public institutions during the period studied for this report); reforming the existing intellectual property regulatory framework (draft bill on intellectual property); attaining greater efficiency in controlling the unobserved and piracy economy; creating mechanisms to increase social awareness of the fundamentals and of the importance of respecting copyright; and creating the conditions to face the ever-changing challenges posed by the pivotal role of new technologies used in the production processes of these industries.

# 3. METHODOLOGY AND PROCEDURES

The methodology proposed in this study closely follows the WIPO guidelines set out in the Guide on Surveying the Economic Contribution of the Copyright Industries (WIPO, 2003 and 2015 revised edition) developed from the contributions of many specialists with experience in copyright industries (Massot *et al*., 2013). This methodology has so far been applied in more than 40 countries with a high degree of comparability and has become a reliable approach to assessing the contribution of copyright industries to economic development.

The guidelines proposed constitute a solid reference point that relies on the disaggregation to four digits of the International Standard Industrial Classification (ISIC) Revision 3.1 (UNSD, 2002) and Revision 4.0 (UNSD, 2008). Following this methodology (WIPO, 2015), the four categories identified for the measurement of the economic contribution of copyright-based industries are as follows:

(1) Core copyright industries: These are industries whose activities are fundamentally protected by copyright, regardless of their focus on production, creation or distribution. Nine industries have been identified by WIPO under this category: (a) press and literature; (b) music, theater and opera; (c) motion pictures and video industries; (d) radio and television broadcasts; (e) photography; (f) software and databases; (g) visual and graphic arts; (h) advertising; and (i) copyright collecting societies.

(2) Interdependent copyright industries: These are industries whose production and sales are based, completely or partially, on facilitating the creation, production or access to products or material protected by copyright.

(3) Partial copyright industries: These are industries that depend partially on the activities from the industries protected by copyright. They are mainly products or services accessible through the general market but that are partially used for copyright-based industries.

(4) Non-dedicated support industries: In these industries, a portion of activities facilitates the broadcast, communication, distribution and selling of copyright material; their activities are not considered part of the core copyright industries.

## 3.1 Selection of copyright industries for Ecuador

Copyright Industries (CIs) are those whose activities are directly or indirectly protected by intellectual property law and institutions. The economic activities concerned may vary from one country to another, depending on local regulations.

After conducting an analysis of the relevant legal framework in each country, the industries were selected based on the respective industrial classifications of each country. Below is a description of the process performed for Ecuador.

### *The International Industrial Classification and its adjustment to the Ecuadorian context*

In August 2008, the United Nations Statistical Division (UNSD) released the last revision of the ISIC: Revision 4.0. This is a more extensive revision, offering a detailed review of industries that deserve individual treatment, either because of their relative importance or because of their greater data availability. Most available statistical sources or instruments, such as national surveys, censuses or related research, collect data that follows this classification, if not the same disaggregation level. Hence, it was logical for the purposes of this study to update the corresponding industries using the correspondence tables from the UN Statistical Division for both revisions.[10]

The effective application of this approach is not without its caveats. Some links for the latest revision are partial and require a more detailed analysis at product level in order to distinguish the part of the category that corresponds to the relevant industry.

Beyond the international nomenclature, some databases in Ecuador follow different collecting levels. In particular, the information collected by the Central Bank for the System of National Accounts (SNA) has

[10]Details are available at http://unstats.un.org/unsd/cr/registry/regot.asp?Lg=1.

a different catalogue and does not correspond directly to the ISIC classification, requiring an additional matching process (analyzing the industries involved).

Annex 1 of this document includes the correspondence matrix for the two ISIC revisions and their correspondence with the Industrial Classification of National Accounts of the Central Bank (CICN). This annex follows the structure of the WIPO Guide for sector and economic activities, matched originally with ISIC Rev. 3.1. The CICN is a more general classification because of the macro-level reporting needs of the Central Bank of Ecuador. It compiles several industries of the ISIC code, while also classifying some goods and services under different categories. Hence, there is no direct one-to-one correlation between the ISIC and the CICN; this was challenging when processing the information from this source.

An initial effort to use the information from the SNA was to use the correspondence tables of the UNSD. ISIC Rev.4.0 was matched with Rev.3.1 and the CICN. This last nomenclature corresponds to the Central Bank's adaptation of the international codes of the SNA to the local context in 2007, taking into account the most important industries and products in the economy.

This approach required several adjustments and compensations due to the lack of relevant information on some industries. To compile a complete picture of the economic dimension of copyrights, other available statistical instruments that use the ISIC classification were consulted (details in next section).

## 3.2 Sources of information and analytical tools

Considering that according to the WIPO Guide, the most appropriate method for measuring the economic contribution of copyright-based industries is the value-added approach, the sources proposed approximate the information needs to match this approach as closely as possible. Unless otherwise indicated, they also follow the basic requirements for the use of valid sources, i.e., periodicity, reliability, comparability, internal validity and under international harmonization.

### *The System of National Accounts*

The SNA in Ecuador, administered by the Central Bank, follows the UN harmonized guidelines and compiles measurements of economic activity that correspond to macro-level reporting. Indeed, the SNA uses a different process for the consolidation of economic activities from the ISIC, which is understandable given its focus on macro-level aggregated data. The Central Bank of Ecuador uses two different catalogues that allow it to compile the information for their level of analysis.

The first one is the CICN. This catalogue tracks industrial activities in a broad sense; in terms of the ISIC taxonomy, there is a one-to-many classification. The second catalogue corresponds to the CPCN (Products Classification of National Accounts). Again, this classification does not have a one-to-one correlation with the ISIC classification, in this case for the CPCN catalogue, which complicates the aggregation process.

Arguably, a relationship between these two reporting systems is manageable because they both contain overlapping categories. Furthermore, the aggregation level in the instruments in the SNA does not allow for the appropriate reclassification of the industries of interest to this study. Consequently, through an intensive effort with SNA experts, an approximation for the aggregates was obtained using available base information, including tax declaration data from the Superintendence of Private Companies (SRI), among others. The information provided follows ISIC Rev.3.1 and corresponds to the value-added based on the "main economic activity" for 2012. This means that secondary or tertiary activities are not included in the data because of aggregation difficulties. In other words, economic activities that might include some copyright-based industries for which the share in gross production is secondary are not taken into account. This poses a challenge in terms of data consistency. Nevertheless, the study team used this information as a reference point for those economic activities not described in the other available statistical instruments. Since it is based on administrative data, this approach should provide a better approximation for those sectors not surveyed in other sources, in particular as regards information from small firms and commercial establishments that fall outside the main sample in other statistical instruments (surveys will be discussed in the next section).

***Censuses and surveys***

In Ecuador, several statistical instruments are available for the analysis of CIs. Most surveys developed by the National Institute of Censuses and Statistics (INEC) collect information that properly matches the ISIC classification to four digits for these industries, as well as Central Product Classification Version 2 (CPC.2) of the UNSD for products, although there is little representative information at the product level. The study team considered the three main economic areas: value-added, work force and international trade. There is no universally suitable statistical instrument that allows data collection with enough statistical power. Instead, the study relied on several sources that have advantages in specific sectors.

The first instrument is the Industrial Survey of Establishments (IS). This instrument is published annually and collects information from several economic sectors: manufacture and mining industries, commerce and services. It is based on representative economic units and concentrates on the following information: number of establishments, workforce, payroll, total production, sales, intermediate consumption, value-added, depreciation, capital investment and assets. The study team used a data series for 2010, 2012 and 2013. Information for 2011 is not comparable due to sample methodology issues. As to statistical power, the study used two different disaggregation levels to assess the pertinence of the results. Firstly, the disaggregation level reaches four digits for ISIC Rev.4.0 for the following available information: number of firms, workforce, gross production, intermediate consumption and capital investment. Secondly, data was processed to the three-digit disaggregation level in order to confirm consistency, including information on products under CPC.2. However, the latter classification information is limited because of sample representativeness issues.

Along the same lines, as a survey, the study concentrated on medium and large firms and commercial establishments; hence, some information will inevitably be left out of the sample, in particular from small firms. The INEC provided a detailed list of the ISIC codes where there is no information for this instrument (Annex 2). Some of these absent categories fall under core copyright industries. This does not mean there are no activities in the market; unfortunately, there is no clear way to measure the bias of the unobserved information in the survey. To correct for this lack of information, the study team combined the results with those reported from other sources, as well as studies from specific economic agents, in order to identify discrepancies with the processed information.

Another important statistical source is the 2010 National Economic Census (NEC). This census came 30 years after the last one (1980) and updated all the related economic information based on around 500,000 economic units (including commercial establishments, small businesses and even sole proprietorships in more than 22,000 sectors). Although the sample size of this source is extensive, the quality of the information related to value-added calls for careful use. The main objective of the NEC was to update the information on firms and commercial establishments in the market in order to develop a master sample for the IS. As a result, the data obtained, although valuable, are only informative and require validation from other sources in order to adjust their levels. Furthermore, information at product level is not representative in statistical terms and does not allow for a detailed adjustment of the main categories in this study.

Both instruments collect information at the four-digit level for the ISIC taxonomy and, when possible, allow for a straightforward approach to measuring the economic contribution of the copyright-based industries in terms of value-added, closely following the 2003 WIPO Guide. A similar experience on the use of such instruments is found in the study for Argentina (Massot *et al*., 2013).

Another important statistical source for the employment aggregates reported in this study is the National Employment and Unemployment Survey (ENEMDU). This is a quarterly survey, which has a bigger sample on its final survey of the year (December), to be representative of the urban and rural sectors. It collects detailed information about employment, unemployment, sub-employment, formality and other useful information that allows it to develop a dynamic analysis of the labor market. The availability of information, in terms of the ISIC code revision, changes during the time period of the analysis. For 2010 to 2012, ISIC Rev.3 at four digits was used, adjusting for trends observed in each category during the remaining periods. Using ISIC Rev.4.0 at four digits, the statistical power of the information does not allow for the assessment of the employed workforce in all economic activities involving some copyright-based industries. For 2013 to 2015, the study collected the information directly from this source, as reported.

### *The Internal Revenue Service*

Information from the Internal Revenue Service (SRI) is collected from its system of multidimensional statistics. This is a digital interface that allows the classification of information from tax declaration forms used by the institution for collection purposes. The interface allows an industry classification (ISIC Rev.4) at the six-digit level. Information used from this source corresponds to Tax Form 101, which collects information on total sales with 12 per cent VAT, total sales with 0 per cent VAT and net exports, and VAT Form 104, which collects similar information plus detailed foreign trade information, including exports and imports of goods and services.

Information from this source tracks the nominal value of transactions, that is, it does not subscribe to the value-added approach, but it contributes to this research in two important methodological aspects: (i) it allows the statistical correction of information from other sources that do not have a higher-digit description of the ISIC categories (i.e., some statistical coefficients are constructed using this information); and (ii) it enables tracking in time of foreign trade transactions classified according to ISIC categories – an aspect for which other sources were proven to have limited accessibility and consistency. The foreign trade section of the information provided here is constructed based on this source.

### *The Ecuadorian Institute of Intellectual Property Rights*

The Ecuadorian Institute of Intellectual Property Rights (IEPI) is an important source of official registration data for copyright material and intellectual property rights. As a public institution, it maintains a database of all the economic agents, national and foreign, that have filed applications to place a product or service on the market under the copyright system. In Ecuador, copyright reports are not available due to data migration to the GDA system in 2010 to 2011, currently not tailored to generate datasets and summary reports. This restricts the scope of data available from this source.

Nevertheless, it is important to note that intellectual property does not expire without formal registration; it is generated with the development of the actual creative work or intellectual activity. As a result, understandably, there is an under-reporting problem that cannot be adequately measured. As shown in Table 2.3, the evolution of copyright registration showed this under-reporting in 2010, while in the new system, reports are not currently accessible. As a result of these problems, the study team did not use official registration information for the assessment of the economic contribution, aside from some summary reports obtained for general information and contextualization of copyright industries and activities.

### *Copyright Collecting Societies*

Five main copyright collecting societies (CCS) are officially recognized. They protect and manage the economic rights derived from the production of copyright material in Ecuador:

- SAYCE (Society of Authors and Composers of Ecuador) focuses on musical works under copyright for both national and foreign authors.
- EGEDA (Copyright Collecting Society for Audiovisual Producers) focuses on audiovisual productions.
- SARIME (Society of Artists, Performers and Musicians of Ecuador) focuses on national and foreign artists, musicians and performers.
- SOPROFON (Society of Phonogram Producers) focuses on phonographic material.
- UNIARTE (Artists and Audiovisual Authors' Society of Ecuador ).

Financial information from these societies, as well as information on establishments, authors, artists, work, products and services registered, offers a clear picture of the size of CIs in Ecuador. For the purposes of this study, some of the representatives of these institutions were interviewed (see Annex 3) in order to expand the collection of financial information and data from any other specific studies conducted within the scope of institutional and industry interests.

### *The National Customs System of Ecuador (SENAE), International Trade*

The National Customs System of Ecuador (SENAE) generates international trade statistics for every international transaction. The Central Bank of Ecuador compiles its reports under the Tariff Nomenclature of the Andean Community (NANDINA) code. This registration system began in 1991 and is currently in its fourth revision (2007). It registers exports and imports with a detail level of eight digits. Unlike with other statistical instruments, the disaggregation level corresponds to the product level, although other aggregates are available depending on the digit level used.

The procedure recommended by the WIPO Guide is intended to identify the main products and services related to CIs based on the ISIC and CPC2 classifications. Unfortunately, classification methodologies are not up to date and reports using the NANDINA code of international trade could not be consistently linked to the ISIC Rev.4 catalogue used in this report. Also, core copyright industries, such as books, printing material, CDs, etc., are directly identifiable on this database, although other products and services, in particular those that belong to the category of interdependent, partial or support industries, cannot be tracked consistently since they can be collected under one or more general categories for which the statistical adjustment and copyright ratio would require better fine-tuning.

Beyond this, there was limited access to the SENAE source and it did not allow for dynamic information collection. Hence, the study relied on the Internal Revenue Service for the foreign trade information presented.

### *Expert interviews*

Given significant data constraints in some areas, especially in industries where there was no updated or reliable information, several experts were interviewed to complement the analysis with their insight.

The interviews were conducted with technical officials and government advisors who are responsible for collecting and reporting economic data related to this study. The results and information provided made it possible to fine-tune the data assessment at its different analytical stages.

Meeting other experts, for instance in the IEPI, helped to confirm the history of copyright legislation in Ecuador. This information is valuable in that it explains the institutional context and the legal framework currently in force. Similarly, the interviews afforded a broader view of the state and trends of copyright in the country. More specifically, relevant actors from the different CIs were interviewed, thereby enabling the collection of information on performance in specific industrial sectors. As experts for the core, interdependent and partial copyright industries were contacted, the study team was cognizant of the peculiarities of each industry, which required a different kind of assessment. Experts from the core and partial copyright industries provided useful contributions. Somewhat less information was obtained from the interdependent and non-dedicated support industries. However, the discussions with all four CI categories underpin this report (see Annex 2).

Finally, discussions with other academic institutions and policy-makers helped to understand the implementation of the legal framework of copyright and intellectual property. These interviews fed the interpretation of information and data and are an important asset to be used in public policy recommendations.

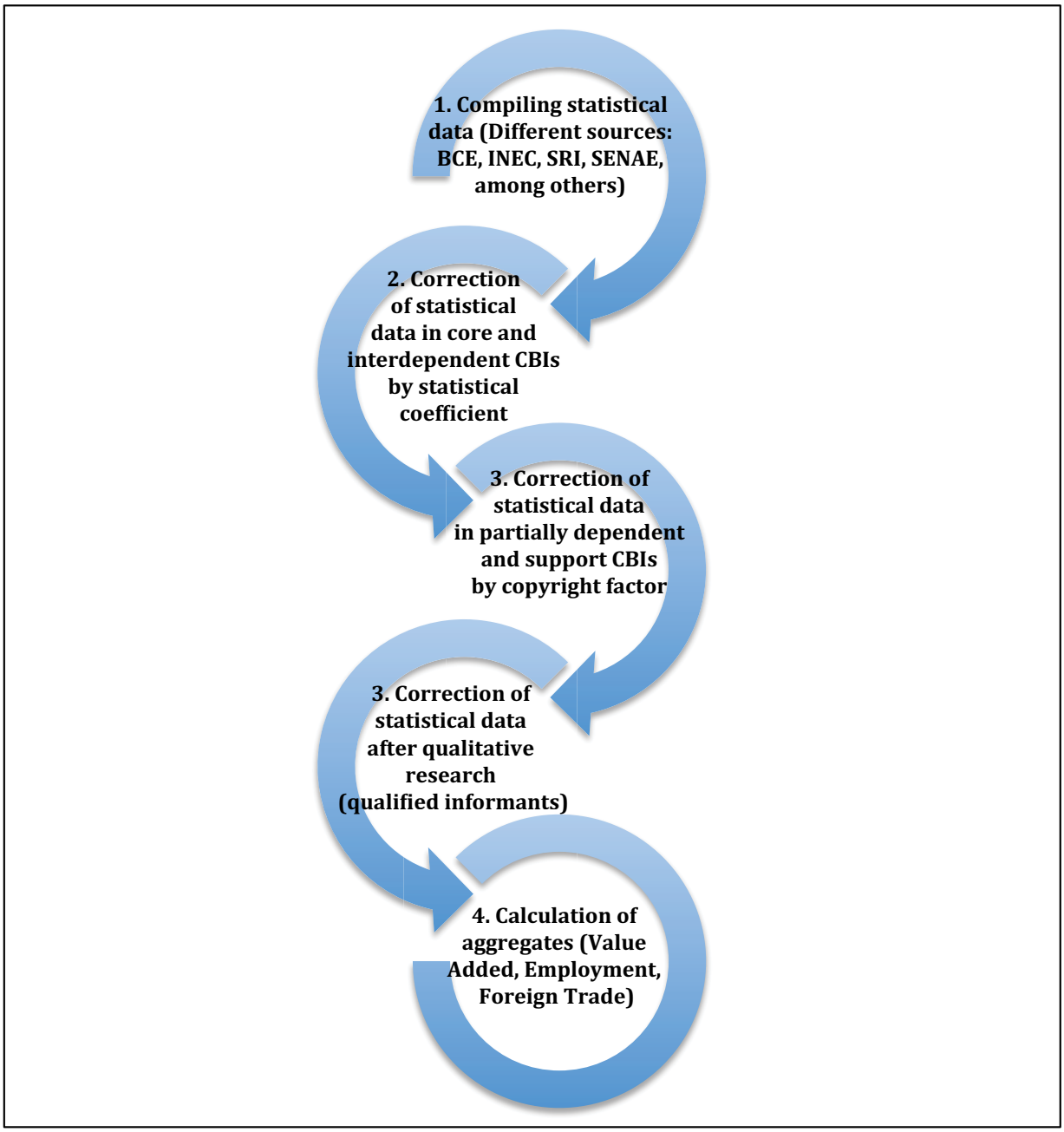
### *Case studies*

This report includes a review of three case studies of some of the most representative sub-sectors of the core copyright industries. The industries to be studied were identified after first obtaining the first results that determined the economic contribution of the CIs. The sectors studied are cinema, the phonographic industry and the publishing industry.

The information collected is useful in the analysis of the characteristics and trends of the main copyright sectors in Ecuador. This is a stepping-stone to the formulation of public policy recommendations so as to encourage the development of these sectors.

Case studies are included in the last section of the report, contributing to the national debate on the development of these industries. This development comes at a unique time in Ecuador and represents a window of opportunity to increase knowledge of the contribution of these industries to the economy. Generating this data in order to shape policy reforms is an important strategy to improve the impact of copyright activities in Ecuador's economic development.

**Figure 3-1:** **Working process to obtain copyright industry aggregates**



## 3.3 Challenges in the use of information and measurement of CIs

### Measurement of copyright industries: aggregates studied

Gross Value Added (GVA): Measure of the value of goods and services produced in the economy, minus the intermediate consumption or the inputs required during the production process to generate value. This study uses the GVA from the National Economic Census of 2010 and its forecast is adjusted by using the growth rates at ISIC level from other sources (industry surveys and expert interviews).

Employment: Number of people involved in any type of job or working, as determined during the survey or from available statistical instruments. In this study, the labor level corresponds to the National Employment and Unemployment Survey (ENEMDU), collected at the corresponding ISIC level. Data for 2010 to 2012 are estimates of convergence between ISIC Rev.3.1 and Rev.4.0. From 2013 onwards, the data correspond to ISIC Rev.4.0. The results were obtained using expansion factors to reach statistical representativeness of the population. Employment results are multiplied by adjustment factors for each category.

Foreign Trade: Exports (X), Imports (M), Net Exports or Trade Balance (TB=X-M), corresponds to the country´s level of trade formally registered through the customs services (SENAE) and reported through the Internal Revenue Service for tax purposes. The information collected comes from VAT Form 104 and Income Tax Form 101 at ISIC level.

Some challenges related to the use of information of CIs available in Ecuador deserve further discussion.

(a) Information from the SNA is only available for 2012. Several interviews with Central Bank analysts were organized in order to collect as much information as possible (see Annexes). Nevertheless, the instruments and data collection procedures of the institution have an aggregation level that not only follows a different classification, but also is not available for all years (see section 2.1.). In 2012, in response to external information requirements, the Central Bank opened (disaggregated) the Input-Output Matrix and extended the reporting level to 279 products following the CPCN catalogue. This disaggregation level allowed the institution to reclassify the information to conform to ISIC Rev.3.1 (shown in Annex 4 in the preliminary results). This effort is only available for that year and is not replicable for any other. Furthermore, official information provided does not follow the consistency checks from the SNA. The study used this information as a consistency check but reports results based on more detailed sources, in particular the National Economic Census of 2010.

(b) Information from the INEC, although collected using ISIC Rev.4.0, is not necessarily generalizable in terms of the survey scope. The Industry Surveys of Establishments has a master sample of around 4,000 observations focused on medium and large commercial establishments and industries. This expressly excludes CI activities that involve small businesses. The bias of such an approach is at first glance unidentifiable. However, the other statistical source used, the National Economic Census, offers information just for 2010 but has higher statistical power because of the sample size. It offers information at industry level with four-digit disaggregation, but at product level the information is broader. This is unfortunate; product information would allow adjustments for copyright contribution levels within each ISIC category, as well as classification of the economic activities in industries where the aggregation is too broad. Overall, these two sources constituted the core of the analysis of GVA.

(c) In order to adjust and reclassify the economic activities, the study used other sources that offer information at higher-digit disaggregation. The first source is the IRS multidimensional statistics repository. Information follows ISIC Rev.4.0 at a six-digit level for total sales and exports. The study used this detailed information to obtain the statistic adjustment coefficients (see Massot *et al.*, 2013; WIPO, 2013), with the caveat that this data does follow the value-added approach; hence, bias is implicit in terms of the heterogeneity of costs involved. Another possibility the study team explored for hard statistical adjustment was the information provided by the Industry Surveys of Establishments at product level. However, information from this source is incomplete in that it does not collect representative information on all sectors. Both available options offer the best possible proxy for industry composition and were used to filter activities that are not necessarily protected by copyright but are included in the industry category because of classification policies.

(d) The international trade information available at product level for 2012, using the NANDINA nomenclature, required a 3-steps reclassification process due to catalogue availability. ISIC Rev.4 is

a more detailed catalogue; hence, bias was incrementally carried in the process. Instead, the study relies on SRI information for international trade transactions, already reported using the ISIC Rev.4 catalogue.

(e) Information from copyright collecting societies is limited. They collect neither detailed information from their members nor detailed statistics. Nor do they have statistics departments that would make it possible to obtain data.,Most collected information corresponds to aggregated financial reports and book-keeping processes.

(f) Labor force information from the INEC surveys does not offer a representative level for some very important CI categories. This constitutes a significant statistical challenge that cannot be neutralized using official sources. A clear example is what happens with musicians and other artists; they and their activities are traditionally classified under a general "artisan" category, which includes other general manual workers (e.g. stonemasons). The study identifies significant under-reporting of CI-related workers for some economic activities and, when available, reports adjustments based on sector studies.

(g) Information collected from different official sources is not necessarily consistent. This is not surprising, given that each institution has different methodologies, focus areas, samples and institutional objectives. What is less obvious is that observed differences are not systematic, i.e., biases are positive or negative, irrespective of the source, and conditional on the category. Hence, there is no dominant source of information. This is a methodological challenge that requires validation from other sources of information as well as an expert validation to avoid extreme over- or under-shooting of the actual economic contribution of the creative industries.

(h) Finally, some aspects of the study are worth considering when approaching the economic measurement of creative industries. Measurement efforts using available statistical instruments and official reporting systems inevitably overlook or under-report unobserved economic activities related to copyright material that is either outside the formal market or can be classified simply as piracy. In Ecuador, as in other developing countries, the informal sector and informal employment is large compared to the formal sector. Although informality is decreasing, levels are still high and, depending on the economic sector and employment category, can exceed 50 per cent (ILO, FORLAC 2014).[11] While this is not at first glance a problem from a methodological perspective, it is important to acknowledge the limitations of any data instrument in accounting for these activities, where there is nothing more than conjecture as to their contribution, depending on the product, service and industry.

In light of these challenges, the study efforts follow the WIPO Guide with some adjustments to adapt the methodology to the particular context of Ecuador.

## 3.4 Statistical adjustments and use of copyright factors in the measurement of the economic contribution of CIs

To assess the economic contribution of copyright industries, it is important to distinguish those elements that play a role at some stage in the production process of all related products. Following the WIPO Guide, most core copyright industries have a copyright component of 100 per cent; however, codification and aggregation biases exist since most statistical information cannot be distributed without making some informed compromises. For one thing, there are activities that are not copyright-related but are still coded under the general ISIC categories. It would appear that there is no common strategy that fits every industry and efforts to debug the statistical information are made on a case-by-case basis. For another thing, some activities and industries are shared across different economic sectors, especially among core copyright industries; hence, to avoid double counting, the study team implemented a correction factor based on sources with a higher disaggregated information level (where available), sector studies or interviews of industry experts. Following the WIPO Guide (2015) recommendations, the study used mixed and shared coefficients (statistical adjustment coefficients) as suggested by the Argentinian experience (Massot *et al.*, 2013). The study team identified the need for significant adjustments that are corrected for potential double-counting and the need

[11] "Trends in informal employment in Ecuador: 2009-2012." ILO, FORLAC, 2014, available at http://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_245886.pdf.

for debugging economic activities that do not correspond to copyright-based industries, minimizing chances of overestimation.

Such adjustments are applied to all reported information, i.e., to value-added, labor and foreign trade information, in order to adjust the copyright economic contribution appropriately.

### *Double-counting and information adjustments*

Considering the four-digit aggregation level available from most sources, it was methodologically difficult to distinguish the actual contribution of each industry category (ISIC Rev.4) among the economic activities under review. Sources consulted offer different aggregation methods that avoid, even in core copyright industries, distinguishing some activities appropriately.[12] As a result, the approach adopted adjusts the information for three different coefficients, dividing the shared coefficient into:

i. *within* factor: when a specific industry (ISIC) is shared among economic activities within each of the four CI categories (core, interdependent, partial and non-dedicated support), this factor allows allocation within the category.

ii. *between* factor: when a specific industry (ISIC) is shared among CI categories, this factor allows allocation between the four categories (core, interdependent, partial and non-dedicated support).

Finally, the copyright factor and the statistical adjustment coefficient used in this study resemble WIPO Guide the mixed code in order to filter activities that are not necessarily copyright-related, either by identifying those activities by means of more detailed information from other sources, proxies from revenues or the relative size of the industry (see next section for details).

The list below describes the activities that require double-counting checks within industries.

**Table 3-1: Economic activities that require double-counting checks within industries**

| ISIC Rev.4 | Core copyright industries |
|---|---|
| 1812 | Service activities related to printing |
| 1820 | Reproduction of recorded media |
| 4649 | Wholesale of other household goods |
| 4762 | Retail sale of music and video recordings in specialized stores |
| 5911 | Motion picture, video and television programme production activities |
| 5912 | Motion picture, video and television programme post-production activities |
| 5913 | Motion picture, video and television programme distribution activities |
| 7420 | Photographic activities |
| 7722 | Renting of video tapes and disks |
| 9000 | Creative, arts and entertainment activities |
| ISIC Rev.4 | Interdependent copyright industries |
| 4649 | Wholesale of other household goods |
| 7729 | Renting and leasing of other personal and household goods |
| 7730 | Renting and leasing of other machinery, equipment and tangible goods |
| ISIC Rev.4 | Partial copyright industries |
| 4649 | Wholesale of other household goods |
| 4719 | Other retail sale in non-specialized stores |
| 4759 | Retail sale of electrical household appliances, furniture, lighting equipment and other household articles in specialized stores |
| 7410 | Specialized design activities |

[12] Information from INEC for products has an ISIC level of three digits, while IRS Ecuador's information that offers 6-digit disaggregation is still too broad in terms of selecting particular contributions of economic activities.

The list below describes the economic activities that require double-counting checkups between industries.

**Table 3-2: Economic activities that require double-counting checks between industries**

| ISIC Rev.4 | Economic Activities |
|---|---|
| 1709 | Manufacture of other articles of paper and paperboard |
| 4641 | Wholesale of textiles, clothing and footwear |
| 4649 | Wholesale of other household goods |
| 4651 | Wholesale of computers, computer peripheral equipment and software |
| 4719 | Other retail sale in non-specialized stores |
| 4741 | Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores |
| 4742 | Retail sale of audio and video equipment in specialized stores |
| 4751 | Retail sale of textiles in specialized stores |
| 4752 | Retail sale of hardware, paints and glass in specialized stores |
| 4753 | Retail sale of carpets, rugs, wall and floor coverings in specialized stores |
| 4759 | Retail sale of electrical household appliances, furniture, lighting equipment and other household articles in specialized stores |
| 4761 | Retail sale of books, newspapers and stationary in specialized stores |
| 4762 | Retail sale of music and video recordings in specialized stores |
| 4764 | Retail sale of games and toys in specialized stores |
| 4771 | Retail sale of clothing, footwear and leather articles in specialized stores |
| 4773 | Other retail sale of new goods in specialized stores |
| 7410 | Advertising |
| 7729 | Renting and leasing of other personal and household goods |
| 7990 | Other reservation service and related activities (inc. ticket sales, activities for theatrical, sports and other amusement and entertainment events) |

### *Statistical adjustment coefficients ("mixed coefficients")*

Statistical adjustments were made on the value-added information in order to filter economic activities classified within the ISIC catalogues that do not constitute copyright-related activities. Using a four-digit aggregation impedes this filtering; hence, a six-digit categorization was used by combining information obtained from additional sources. In this endeavor, the study used the system of multidimensional statistics from the SRI of Ecuador (see sources of information for details). In particular, the percentage average of "total local sales" of the activities protected under copyright in 2010-2014 was used as a proxy for the copyright adjustments.[13]

Below are details that describe the statistical adjustments performed.

#### *CORE COPYRIGHT INDUSTRIES*

(a) Printing: Information related to printing of posters, advertisement, brochures, flyers, calendars, phone directories and other commercial material was excluded.

(b) Other professional, scientific, and technical activities n.e.c. (inc. translation and interpretation activities): This category contains other activities beyond translation and interpretation activities, such as real estate management, security and environmental consultancy, technical consultancy, etc. Translators' activities and the promotion of cultural activities and new patent generation are included in the coefficient.

(c) Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers): Categories included in the coefficient are mainly wholesales of material for books, magazines and newspapers and lighting equipment. The study excluded other wholesale or general household articles.

[13] "Total local sales" include those classified as taxable at a VAT of 12 per cent as well as those taxable at a VAT of 0 per cent, according to the national tax regulations.

(d) Renting and leasing of other personal and household goods (inc. books, journals, and magazines): The study excludes information from general sales of household articles including household tools, electronic equipment and renting of textiles and shoes.

(e) Other reservation services and related activities (inc. ticket sales, activities for theatrical, sports and other amusement and entertainment events): The coefficient adjusts for the inclusion of information that corresponds to general tourist services (hotel, restaurants, etc.), and tourist supplies.

(f) Specialized design activities (inc. graphic designers): The study adjusted for the inclusion of activities related to interior design that are considered under other industries (partial).

(g) Activities of professional membership organizations (inc. associations of specialists engaged in cultural activities): In this particular case, the study used information on royalties collected directly from the financial reports of CSS, when available. Unlike for other categories, the study did not use a value-added approach for this information, since there is no usable benchmark for intermediate consumption.

**Table 3-3: Statistical adjustment factors: core copyright industries**

| ISIC Rev.4 | Description – ISIC 4.0 | ADJUSTMENT FACTORS |
|---|---|---|
| 9000 | Creative, arts, and entertainment activities | 0.140 |
| 7490 | Other professional, scientific, and technical activities n.e.c. (inc. translation and interpretation activities) | 0.074 |
| 8299 | Other business support service activities n.e.c. (inc. real-time, i.e., simultaneous, closed captioning of live television performances of meetings, conferences) | 1.000 |
| 6391 | News agency activities | 1.000 |
| 5813 | Publishing of newspapers, journals, and periodicals | 1.000 |
| 5811 | Book publishing | 1.000 |
| 5812 | Publishing of directories and mailing lists | 1.000 |
| 5819 | Other publishing activities | 1.000 |
| 8219 | Photocopying, document preparation, and other specialized office support activities | 1.000 |
| 1811 | Printing | 0.490 |
| 1812 | Service activities related to printing | 0.500 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.022 |
| 4761 | Retail sale of books, newspapers, and stationery in specialized shops | 0.900 |
| 7729 | Renting and leasing of other personal and household goods (inc. books, journals, and magazines) | 0.002 |
| 9101 | Library and archives activities | 1.000 |
| 9000 | Creative, arts, and entertainment activities | 0.030 |
| 9000 | Creative, arts, and entertainment activities | 0.040 |
| 9000 | Creative, arts, and entertainment activities | 0.060 |
| 5920 | Sound recording and music publishing activities | 1.000 |
| 1820 | Reproduction of recorded media | 0.800 |
| 4762 | Retail sale of music and video recordings in stores | 0.400 |
| 7722 | Renting of video tapes and disks | 0.700 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.022 |
| 9000 | Creative, arts, and entertainment activities | 0.050 |
| 7990 | Other reservation service and related activities (inc. ticket sales, activities for theatrical, sports and other amusement and entertainment events) | 0.029 |

| | | |
|---|---|---|
| 9000 | Creative, arts, and entertainment activities | 0.180 |
| 9000 | Creative, arts, and entertainment activities | 0.070 |
| 5911 | Motion picture, video, and television program production activities | 0.400 |
| 5912 | Motion picture, video, and television program post production activities | 0.500 |
| 5913 | Motion picture, video, and television program distribution activities | 0.500 |
| 5914 | Motion picture projection activities | 1.000 |
| 7722 | Renting of video tapes and disks | 0.300 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.005 |
| 4762 | Retail sale of music and video recordings in stores | 0.400 |
| 1820 | Reproduction of recorded media | 0.200 |
| 5911 | Motion picture, video, and television program production activities | 0.400 |
| 5912 | Motion picture, video, and television program post production activities | 0.500 |
| 5913 | Motion picture, video, and television program distribution activities | 0.500 |
| 6010 | Radio broadcasting | 1.000 |
| 6020 | Television programming and broadcasting activities | 1.000 |
| 5911 | Motion picture, video, and television program production activities | 0.200 |
| 7420 | Photographic activities | 0.800 |
| 5820 | Software publishing | 1.000 |
| 6201 | Computer programming activities | 1.000 |
| 6202 | Computer consultancy and computer facilities management activities | 1.000 |
| 6209 | Other information technology and computer service activities | 1.000 |
| 4651 | Wholesale of computers, computer peripheral equipment, and software (inc. software) | 0.010 |
| 4741 | Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores (inc. retail sale of non-customized software, including video games) | 0.150 |
| 6312 | Web portals | 1.000 |
| 6311 | Data processing, hosting, and related activities | 1.000 |
| 9000 | Creative, arts, and entertainment activities | 0.150 |
| 9000 | Creative, arts, and entertainment activities | 0.110 |
| 7420 | Photographic activities | 0.200 |
| 1812 | Service activities related to printing | 0.250 |
| 9000 | Creative, arts, and entertainment activities | 0.170 |
| 1812 | Service activities related to printing | 0.250 |
| 7410 | Specialized design activities (inc. graphic designers) | 0.114 |
| 7310 | Advertising | 1.000 |
| 7320 | Market research and public opinion polling (inc. marketing studies) | 1.000 |
| 9412 | Activities of professional membership organizations (inc. associations of specialists engaged in cultural activities) | 0.000 |

*Interdependent industries*

(a) Manufacture of corrugated paper and paperboard and of containers of paper and paperboard.

(b) Manufacture of other articles of paper and paperboard.

(c) Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers).

(d) Wholesale of other machinery and equipment (inc. office machinery and equipment).

(e) Retail sale of electrical household appliances, furniture.

(f) Other retail sales of new goods in specialized stores (inc. jewelry).

(g) Renting and leasing of other machinery, equipment, and tangible goods (inc. professional radio and TV equipment).

**Table 3-4: Statistical adjustment factors: interdependent copyright industries**

| ISIL Rev.4 | ISIL Description | TOTAL FACTOR ADJUSTMENTS |
|---|---|---|
| 2630 | Manufacture of communication equipment (inc. radio and TV studio and broadcasting equip.) | 1.000 |
| 2640 | Manufacture of consumer electronics (inc. TVs, VCRs, DVDs, Hi-Fis, consoles) | 1.000 |
| 4649 | Wholesale of other household goods (inc. wholesale ofbstationery, books, magazines and newspapers) | 0.054 |
| 4742 | Retail sale of audio and video equipment in specialized stores | 0.040 |
| 7729 | Renting and leasing of other personal and household goods (inc. books, journals, and magazines) | 0.001 |
| 7730 | Renting and leasing of other machinery, equipment, and tangible goods (inc. profess. radio and TV equip.) | 0.363 |
| 2620 | Manufacture of computers and peripheral equipment | 1.000 |
| 4651 | Wholesale of computers, computer peripheral equipment, and software (inc. software) | 0.010 |
| 4741 | Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores (inc. retail sale of non-customized software, including video games) | 0.200 |
| 7730 | Renting and leasing of other machinery, equipment, and tangible goods (inc. profess. radio and TV equip.) | 0.104 |
| 3220 | Manufacture of musical instruments | 1.000 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.007 |
| 4759 | Retail sale of electrical household appliances, furniture | 0.305 |
| 7729 | Renting and leasing of other personal and household goods (inc. books, journals, and magazines) | 0.000 |
| 2670 | Manufacture of optical instruments and photographic equipment | 0.700 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.007 |
| 4773 | Other retail sales of new goods in specialized stores (inc. jewelry). | 0.569 |
| 7730 | Renting and leasing of other machinery, equipment, and tangible goods (inc. profess. radio and TV equip.) | 0.052 |
| 2817 | Manufacture of office machinery and equipment (inc. photocopy machines) | 1.000 |
| 4659 | Wholesale of other machinery and equipment (inc. office machinery and equipment) | 0.050 |
| 2680 | Manufacture of magnetic and optical media. | 1.000 |
| 4652 | Wholesale of electronic and telecommunications equipment and parts (inc. blank material) | 0.030 |
| 1701 | Manufacture of pulp, paper, and paperboard | 0.800 |
| 1702 | Manufacture of corrugated paper and paperboard and of containers of paper and paperboard | 0.020 |
| 1709 | Manufacture of other articles of paper and paperboard | 0.328 |

### *Copyright factors*

Partial and non-dedicated support industries were adjusted by reviewing and benchmarking the copyright factors from several studies in the region. As suggested in the WIPO Guide (2015, p. 131), the study adapts some copyright factors from the Argentinian and Colombian studies (Massot *et al*., 2015) (Castañeda *et al*., 2008). Since these countries share some regional, cultural and economic characteristics, the study team considered this adaptation as a best-informed guess. Such factors are estimated using ISIC Rev.3.1. The study matches the corresponding categories using the correspondence tables and catalogues for the new ISIC revision (Rev.4) and homologates the factors accordingly. A further adjustment was made through interviews

with qualified experts in order to confirm or correct the factors proposed.[14] As mentioned previously, the disaggregation level and the categories used by the SNA and their macroeconomic catalogues do not allow for a proper identification of information related to copyright-based industries, in particular for the core categories. In light of these constraints, the homologation results for this section for both categories are described below.

**Table 3-5: General copyright factors**

| ISIC 4.0 | Description- ISIC 4.0 | Copyright factors |
|---|---|---|
| 1391 | Manufacture of knitted and crocheted fabrics | 0.02 |
| 1392 | Manufacture of made-up textile articles, except apparel | 0.05 |
| 1393 | Manufacture of carpets and rugs | 0.02 |
| 1410 | Manufacture of wearing apparel | 0.05 |
| 1430 | Manufacture of knitted and crocheted apparel | 0.05 |
| 1520 | Manufacture of footwear | 0.05 |
| 1629 | Manufacture of other products of wood | 0.05 |
| 1709 | Manufacture of other articles of paper and paperboard | 0.02 |
| 2310 | Manufacture of glass and glass products | 0.05 |
| 2599 | Manufacture of other fabricated metal products n.e.c. | 0.05 |
| 3100 | Manufacture of furniture | 0.05 |
| 3211 | Manufacture of jewelry and related articles | 0.01 |
| 3212 | Manufacture of imitation jewelry and related articles | 0.01 |
| 3240 | Manufacture of games and toys | 0.14 |
| 4641 | Wholesale of textiles, clothing, and footwear | 0.05 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.05 |
| 4719 | Other retail sales in non-specialized stores (inc. jewelry) | 0.25 |
| 4751 | Retail sale of textiles in specialized stores | 0.05 |
| 4752 | Retail sale of hardware, paints, and glass in specialized stores | 0.05 |
| 4753 | Retail sale of carpets, rugs, wall, and floor coverings in specialized stores | 0.02 |
| 4759 | Retail sale of electrical household appliances, furniture | 0.05 |
| 4764 | Retail sale of games and toys in specialized stores | 0.40 |
| 4771 | Retail sale of clothing, footwear, and leather articles in specialized stores | 0.05 |
| 4773 | Other retail sales of new goods in specialized stores (inc. jewelry). | 0.25 |
| 7110 | Architectural and engineering activities and related technical consultancy | 0.39 |
| 7410 | Specialized design activities (inc. graphic designers) | 0.10 |
| 7729 | Renting and leasing of other personal and household goods (inc. books, journals, and magazines) | 0.05 |
| 9102 | Museums activities and preservation of historical sites and buildings | 0.50 |
| 9499 | Activities of other membership organizations n.e.c. (inc. craft and collectors' clubs). | 0.01 |

[14] Following the 2015 WIPO methodology, there are several ways of calculating copyright factors. Based on the limited availability of the statistical disaggregated data in Ecuadorian national accounts, the approach adopted in this report is the corrected copyright factor of countries in the region for which reports have already been produced. This was done through in-depth interviews of various qualified CI experts.

[In] February 2016, field research was conducted. More than 30 stakeholders of the various CIs (core, partial, intedependent) were interviewed by using tools recommended in the WIPO Guide (see Annex 3). The aim was to discover the contribution of creative activities mainly in the partial and interdependent industries (see WIPO, 2015, p. 126). For example, in the case of the "Paper" industry, specifically ISIC code 1701 – "Manufacture of pulp, paper and paperboard," the team interviewed a qualified informant who reported an approximate rate of 80 per cent for copyright-related activities in the paper industry. This information was use to verify the initial coefficient the study team used based on different information gathered through interviews as proxies of adjustement (see the list of qualified informants in Annex 1).

**Table 3-6: Copyright factor – partial copyright industries**

| ISIC 4.0 | Description – ISIC 4.0 | Copyright factor |
|---|---|---|
| 1391 | Manufacture of knitted and crocheted fabrics | 0.02 |
| 1392 | Manufacture of made-up textile articles, except apparel | 0.05 |
| 1393 | Manufacture of carpets and rugs | 0.02 |
| 1410 | Manufacture of wearing apparel | 0.05 |
| 1430 | Manufacture of knitted and crocheted apparel | 0.05 |
| 1520 | Manufacture of footwear | 0.05 |
| 1629 | Manufacture of other products of wood | 0.05 |
| 1709 | Manufacture of other articles of paper and paperboard | 0.02 |
| 2310 | Manufacture of glass and glass products | 0.05 |
| 2599 | Manufacture of other fabricated metal products n.e.c. | 0.05 |
| 3100 | Manufacture of furniture | 0.05 |
| 3211 | Manufacture of jewelry and related articles | 0.01 |
| 3212 | Manufacture of imitation jewelry and related articles | 0.01 |
| 3240 | Manufacture of games and toys | 0.14 |
| 4641 | Wholesale of textiles, clothing, and footwear | 0.05 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.05 |
| 4719 | Other retail sales in non-specialized stores (inc. jewelry) | 0.25 |
| 4751 | Retail sale of textiles in specialized stores | 0.05 |
| 4752 | Retail sale of hardware, paints, and glass in specialized stores | 0.05 |
| 4753 | Retail sale of carpets, rugs, wall, and floor coverings in specialized stores | 0.02 |
| 4759 | Retail sale of electrical household appliances, furniture | 0.05 |
| 4764 | Retail sale of games and toys in specialized stores | 0.40 |
| 4771 | Retail sale of clothing, footwear, and leather articles in specialized stores | 0.05 |
| 4773 | Other retail sales of new goods in specialized stores (inc. jewelry). | 0.25 |
| 7110 | Architectural and engineering activities and related technical consultancy | 0.39 |
| 7410 | Specialized design activities (inc. graphic designers) | 0.10 |
| 7729 | Renting and leasing of other personal and household goods (inc. books, journals, and magazines) | 0.05 |
| 9102 | Museums activities and preservation of historical sites and buildings | 0.50 |
| 9499 | Activities of other membership organizations n.e.c. (inc.craft and collectors' clubs). | 0.01 |

**Table 3-7: Copyright factor – non-dedicated support industries**

| ISIC 4.0 | Description- ISIC 4.0 | Copyright factor |
|---|---|---|
| 4610 | Wholesale on a fee or contract basis | 0.0100 |
| 4641 | Wholesale of textiles, clothing, and footwear | 0.0100 |
| 4649 | Wholesale of other household goods (inc. wholesale of stationery, books, magazines and newspapers) | 0.0100 |
| 4663 | Wholesale of construction materials, hardware, plumbing and heating equipment and supplies | 0.0100 |
| 4711 | Retail sale in non-specialized stores with food, beverages or tobacco predominating | 0.0100 |
| 4719 | Other retail sales in non-specialized stores (inc. jewelry) | 0.0100 |
| 4741 | Retail sale of computers, peripheral units, software and telecommunications equipment in specialized stores (inc. retail sale of non-customized software, including video games) | 0.0100 |
| 4742 | Retail sale of audio and video equipment in specialized stores | 0.0100 |

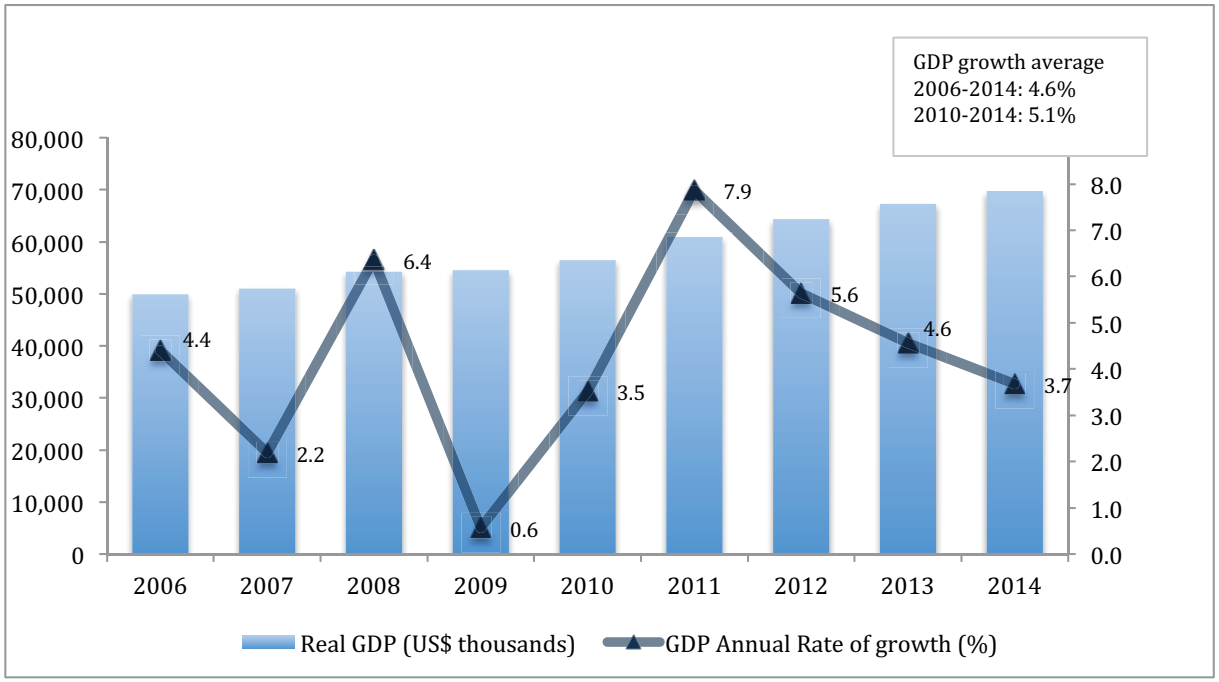
| | | |
|---|---|---|
| 4751 | Retail sale of textiles in specialized stores | 0.0100 |
| 4752 | Retail sale of hardware, paints, and glass in specialized stores | 0.0100 |
| 4753 | Retail sale of carpets, rugs, wall, and floor coverings in specialized stores | 0.0100 |
| 4759 | Retail sale of electrical household appliances, furniture | 0.0100 |
| 4761 | Retail sale of books, newspapers, and stationery in specialized shops | 0.0100 |
| 4762 | Retail sale of music and video recordings in stores | 0.0100 |
| 4763 | Retail sale of sporting equipment in specialized stores | 0.0100 |
| 4764 | Retail sale of games and toys in specialized stores | 0.0100 |
| 4771 | Retail sale of clothing, footwear, and leather articles in specialized stores | 0.0100 |
| 4772 | Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores | 0.0100 |
| 4773 | Other retail sales of new goods in specialized stores (inc. jewelry). | 0.0100 |
| 4781 | Retail sale via stalls and markets of food, beverages and tobacco products | 0.0100 |
| 4782 | Retail sale via stalls and markets of textiles, clothing and footwear | 0.0100 |
| 4789 | Retail sale via stalls and markets of other goods | 0.0100 |
| 4791 | Retail sale via mail order houses or via Internet | 0.0100 |
| 4799 | Other retail sale not in stores, stalls or markets | 0.0100 |
| 4911 | Passenger rail transport, interurban | 0.0138 |
| 4912 | Freight rail transport | 0.0138 |
| 4921 | Urban and suburban passenger land transport | 0.0138 |
| 4922 | Other passenger land transport | 0.0138 |
| 4923 | Freight transport by road | 0.0138 |
| 5011 | Sea and coastal passenger water transport | 0.0138 |
| 5012 | Sea and coastal freight water transport | 0.0138 |
| 5021 | Inland passenger water transport | 0.0138 |
| 5022 | Inland freight water transport | 0.0138 |
| 5110 | Passenger air transport | 0.0138 |
| 5120 | Freight air transport | 0.0138 |
| 5221 | Service activities incidental to land transportation | 0.0138 |
| 5222 | Service activities incidental to water transportation | 0.0138 |
| 5223 | Service activities incidental to air transportation | 0.0138 |
| 5224 | Cargo handling | 0.0138 |
| 5229 | Other transportation support activities | 0.0138 |
| 5310 | Postal activities | 0.0097 |
| 5320 | Courier activities | 0.0097 |
| 6110 | Wired telecommunications activities | 0.0097 |
| 6120 | Wireless telecommunications activities | 0.0097 |
| 6130 | Satellite telecommunications activities | 0.0097 |
| 6190 | Other telecommunications activities | 0.0097 |
| 7911 | Travel agency activities | 0.0097 |
| 7912 | Tour operator activities | 0.0097 |
| 7990 | Other reservation service and related activities (inc. ticket sales, activities for theatrical, sports and other amusement and entertainment events) | 0.0097 |

# 4. THE ECONOMIC CONTRIBUTION OF COPYRIGHT INDUSTRIES (CIS) IN ECUADOR

## 4.1 Overview of Ecuadorian economic structure

The CI estimates for Ecuador were performed for a four-year period (2010-2014), which was a period of significant economic growth. The latest World Bank report for Ecuador (April 2015) states that "between 2006 and 2014, product growth averaged 4.6 per cent (See Figure 4.1), while poverty measured by income fell from 37.6 per cent to 22.5 per cent and extreme poverty fell from 16.9 per cent to 7.7 per cent, according to national poverty lines. Similarly, the Gini Index was reduced in seven points, from 0.54 to 0.47, as an increased growth benefited the poorest, which was above the regional poverty reduction of 2 points (54-52)."[15]

**Figure 4-1: Real GDP annual growth rate 2006-2014 (million 2007 USD – constant terms)**




Source: BCE

According to the Central Bank of Ecuador, the GDP has continued to grow steadily, especially in recent years, pushed by strong purchasing power derived from the official currency, the US dollar. The behavior of gross fixed capital formation (investment) is closely related to the trends in imports of capital goods and is also one of the drivers of economic growth (see Figure 4.2).

The main sectors of the economy, measured in terms of value-added, are: the manufacturing industry (14 per cent in 2014), followed by trade (13 per cent), construction (13 per cent) and the oil and mining sector (12 per cent).

[15] http://www.worldbank.org/en/country/ecuador/overview.

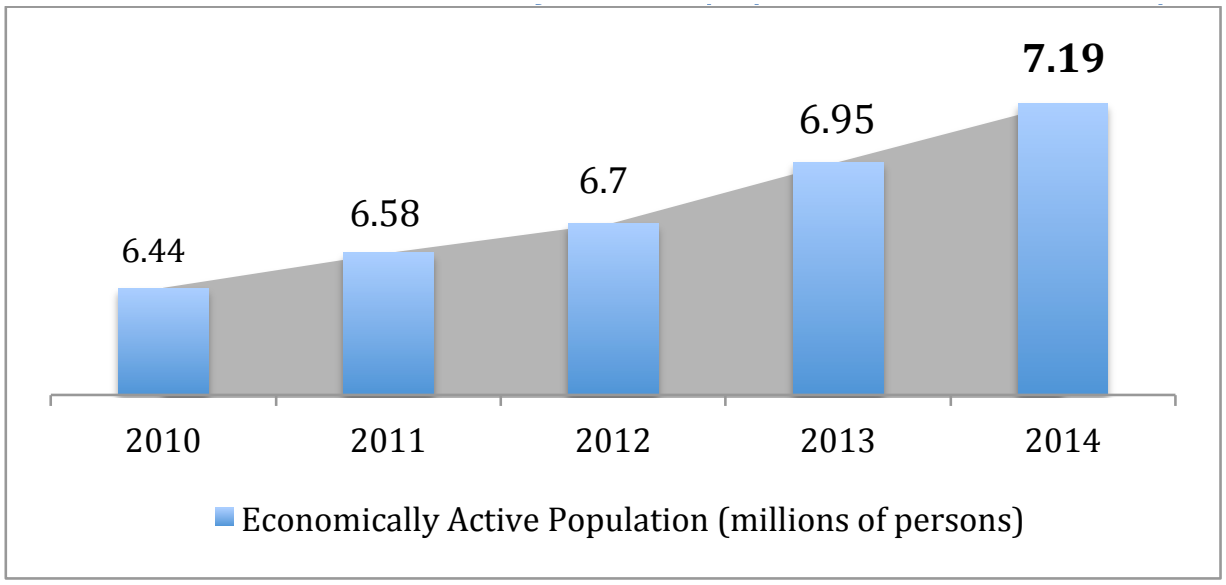
**Table 4-1: Real GDP by industry data (million 2007 USD – constant terms)**

| Year/Industry | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Manufacturing (except oil refining) | 6,868 | 12% | 7,266 | 13% | 7,510 | 13% | 7,928 | 14% | 8,167 | 14% |
| Business activities | 5,896 | 10% | 6,238 | 11% | 6,530 | 12% | 6,939 | 12% | 7,482 | 13% |
| Construction | 4,649 | 8% | 5,465 | 10% | 6,132 | 11% | 6,644 | 12% | 7,129 | 13% |
| Oil and mining | 5,958 | 11% | 6,125 | 11% | 6,283 | 11% | 6,782 | 12% | 6,974 | 12% |
| Education, social work and health | 4,802 | 9% | 5,023 | 9% | 5,365 | 9% | 5,338 | 9% | 5,428 | 10% |
| Agriculture, livestock, hunting and forestry | 4,361 | 8% | 4,689 | 8% | 4,668 | 8% | 4,944 | 9% | 5,060 | 9% |
| Transport | 3,709 | 7% | 3,914 | 7% | 4,152 | 7% | 4,407 | 8% | 4,678 | 8% |
| Professional, technical and administrative activities | 3,492 | 6% | 3,764 | 7% | 4,024 | 7% | 4,236 | 7% | 4,392 | 8% |
| Public administration, defense; social security schemes | 3,330 | 6% | 3,678 | 7% | 3,915 | 7% | 4,179 | 7% | 4,348 | 8% |
| Postal and Communications services | 1,830 | 3% | 2,051 | 4% | 2,232 | 4% | 2,371 | 4% | 2,566 | 5% |
| Financial services | 1,561 | 3% | 1,773 | 3% | 2,066 | 4% | 1,977 | 4% | 2,055 | 4% |
| Water and electricity supply | 922 | 2% | 1,172 | 2% | 1,382 | 2% | 1,484 | 3% | 1,600 | 3% |
| Hotels and restaurants | 1,031 | 2% | 1,093 | 2% | 1,136 | 2% | 1,208 | 2% | 1,292 | 2% |
| Fishing (except shrimps) | 353 | 1% | 363 | 1% | 404 | 1% | 433 | 1% | 446 | 1% |
| Oil refining | 898 | 2% | 995 | 2% | 1,089 | 2% | 718 | 1% | 415 | 1% |
| Shrimp aquaculture and fisheries | 258 | 0% | 314 | 1% | 336 | 1% | 368 | 1% | 393 | 1% |
| Household services | 184 | 0% | 177 | 0% | 175 | 0% | 178 | 0% | 187 | 0% |
| Other services (2) | 4,170 | 7% | 4,332 | 8% | 4,345 | 8% | 4,506 | 8% | 4,502 | 8% |
| OTHER GDP ELEMENTS | 2,210 | 4% | 2,492 | 4% | 2,618 | 5% | 2,653 | 5% | 2,650 | 5% |
| GDP | 56,481 | 100% | 60,925 | 100% | 64,362 | 100% | 67,293 | 100% | 69,766 | 100% |

Source: BCE

During the period covered by this study (2010-2014), there was an interesting trend in labor market performance. The economically active population increased by half a million people. Similarly, it is interesting to analyze the composition of employment by industry. Trade activities accounted for about a quarter of total urban employment in Ecuador, and manufacturing reached 13 per cent, which means that both activities together accounted for almost 40 per cent of urban employment. Both trade and manufacturing are sectors with very high employment levels within the Ecuadorian economy and are copyright-related industries.

**Figure 4-2: Economically active population (millions of persons)**




Source: BCE

Likewise, in the early 21st century, there was a boom in commodity export prices, which benefited Ecuador (and Latin America in general), especially in the natural resource-intensive sectors, mainly oil. The aggregate growth during the whole period under study was about 37.5 per cent. However, this did not result in a larger volume of Ecuadorian oil exports.

**Table 4-2: Ecuadorian exports by type (USD 2007 FOB million USD – constant terms)**

| Year | OIL | NON OIL | Traditional | Non-traditional | TOTAL EXPORTS |
|---|---|---|---|---|---|
| 2010 | 9673 | 7817 | 3706 | 4111 | 17490 |
| 2011 | 12945 | 9377 | 4529 | 4849 | 22322 |
| 2012 | 13792 | 9973 | 4397 | 5576 | 23765 |
| 2013 | 14108 | 10740 | 5154 | 5586 | 24848 |
| 2014 | 13302 | 12430 | 6342 | 6088 | 25732 |

Source: BCE

An analysis of oil exports trends shows that between 2010 and 2014 there was a 7 per cent drop in their relative share of the country's total exports, which was as a result of the global financial crisis of 2008. In contrast, the raw traditional export products (bananas, shrimps, flowers, cocoa, etc.) earned a relative share of 21 per cent to 25 per cent of total exports. The so-called "non-traditional" products (which include some copyright-based industries)[16] maintained a stable share of 24 per cent of total exports during this period, which means a value increase of 48 per cent.

[16] This mainly refers to certain goods from non-traditional industrial sectors whose production incorporates copyright, such as some metal, wood, plastic, rubber and paper manufactures; and clothing and textiles.

## 4.2 Economic contribution of copyright industries (CIs) in Ecuador

*Value-Added*

The first element of analysis is the economic contribution of copyright industries to GDP. Table 4.3 below shows the CIs' value-added levels and their contribution, by category, to GDP between 2010 and 2014.

**Table 4-3: GVA levels and contribution to GDP in copyright industries (million USD – constant terms)**

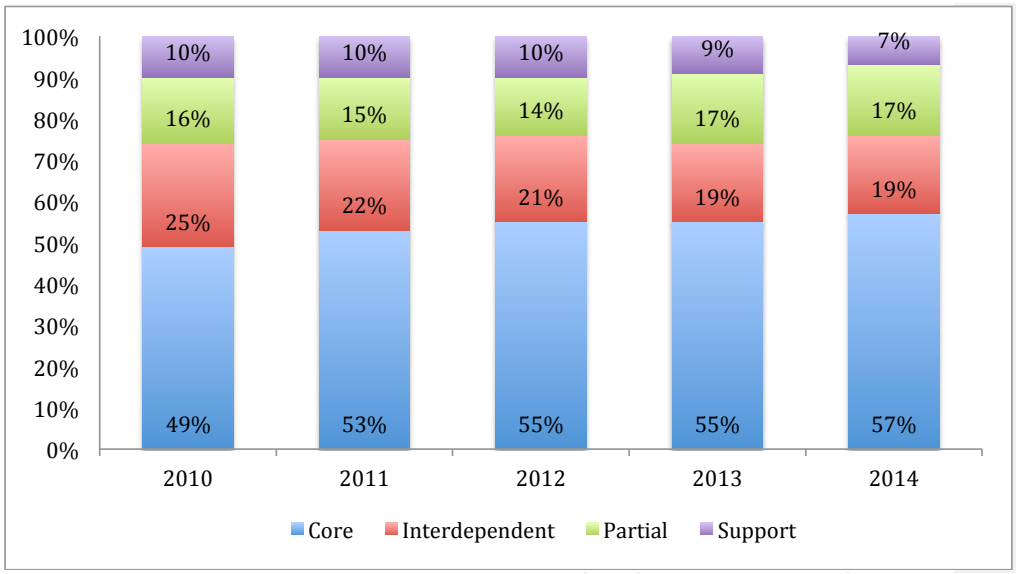
| CI-GVA | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Core | 1,006.2 | 1,298.6 | 1,567.0 | 1,633.8 | 1,774.2 |
| Interdependent | 507.5 | 550,5 | 591.1 | 576.5 | 588.0 |
| Partial | 335.7 | 374.5 | 410.8 | 500.2 | 536.5 |
| Non-ded. support | 212.7 | 249.0 | 282.7 | 272.1 | 217.5 |
| TOTAL | 2,062.2 | 2,472.5 | 2,851.6 | 2,982.5 | 3,116.1 |
| CI-GVA / GDP | 2010 | 2011 | 2012 | 2013 | 2014 |
| Core | 1.78% | 2.13% | 2.43% | 2.43% | 2.54% |
| Interdependent | 0.90% | 0.90% | 0.92% | 0.86% | 0.84% |
| Partial | 0.59% | 0.61% | 0.64% | 0.74% | 0.77% |
| Non-ded. support | 0.38% | 0.41% | 0.44% | 0.40% | 0.31% |
| TOTAL | **3.65%** | **4.06%** | **4.43%** | **4.43%** | **4.47%** |

Source: estimates based on information from INEC, BCE and SRI

The estimated contribution of CIs to the Ecuadorian economy rose to 4.47 per cent of total GDP. Core copyright industries are the largest component of CIs, with about 49 per cent and 57 per cent of the total value-added for CIs (1.78 per cent to 2.54 per cent of total GDP), while interdependent activities account for around 25 per cent to 19 per cent and partial copyright industries between 14 per cent and 17 per cent of CIs. The non-dedicated support industries are a special case, as their ratio in the contribution of CIs decreased from 10 per cent to 7 per cent, while their contribution to total GDP dropped from 0.38 per cent to 0.31 per cent (see Figure 4.4).

The constant GDP of all CIs grew during the relevant period, but the most significant contributions to GDP came from core and partial copyright industries. This highlights a positive trend in these industries in 2010-2014, since these are industrial categories that have shown significant dynamism and greater contributions to economic creativity.

**Figure 4-3: Contribution of industrial categories to GVA of CIs, 2010-2014 (per cent)**




Source: estimates based on INEC, BCE, SRI information

According to the study team's estimate, the contribution of CIs to GDP increased during the relevant period from 3.65 per cent of GDP in 2010 to 4.47 per cent in 2014. These percentages translate into 2,062 million US dollars in 2010 and 3,116.1 million US dollars in 2013 (in constant terms, 2007 US dollars).

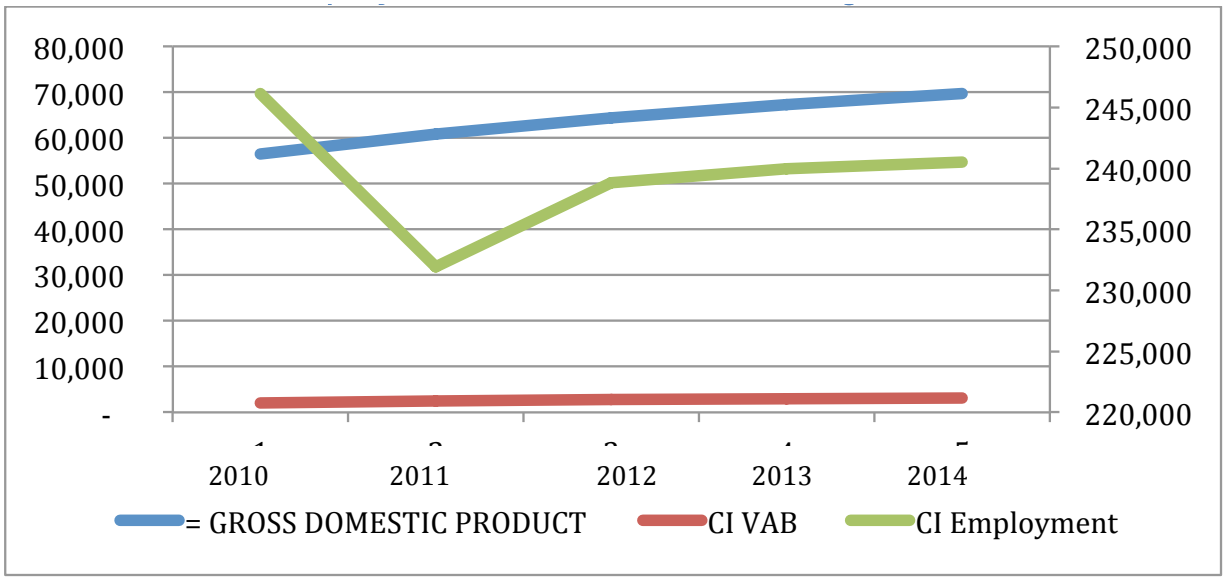
Interestingly, the behavior of these industries mirrors the trends of the overall economy as a whole. There is evidence of a rapid growth of CIs between 2010 and 2014 (51.1 per cent), even more pronounced for core copyright industries (76.3 per cent), compared with the already significant growth of the economy as a whole (23.5 per cent). This accelerated growth of CIs compared to the growth pattern of the economy as a whole might suggest a particular sensitivity of these sectors to the growth determinants of the national economy, especially in regard to household consumption, government consumption and gross fixed capital formation. The shortcomings of the Ecuadorian national accounts breakdown (discussed in Chapter 3 of this report) prevented the study team from conducting a more detailed analysis of the exact causes of this accelerated growth (i.e., an analysis of multipliers). Nonetheless, there are windows of opportunity for further and more in-depth analysis as to what contributed to this sustained growth trend in CIs.

**Table 4-4: GVA growth in CIs versus total GDP growth, 2010-2014 (per cent)**

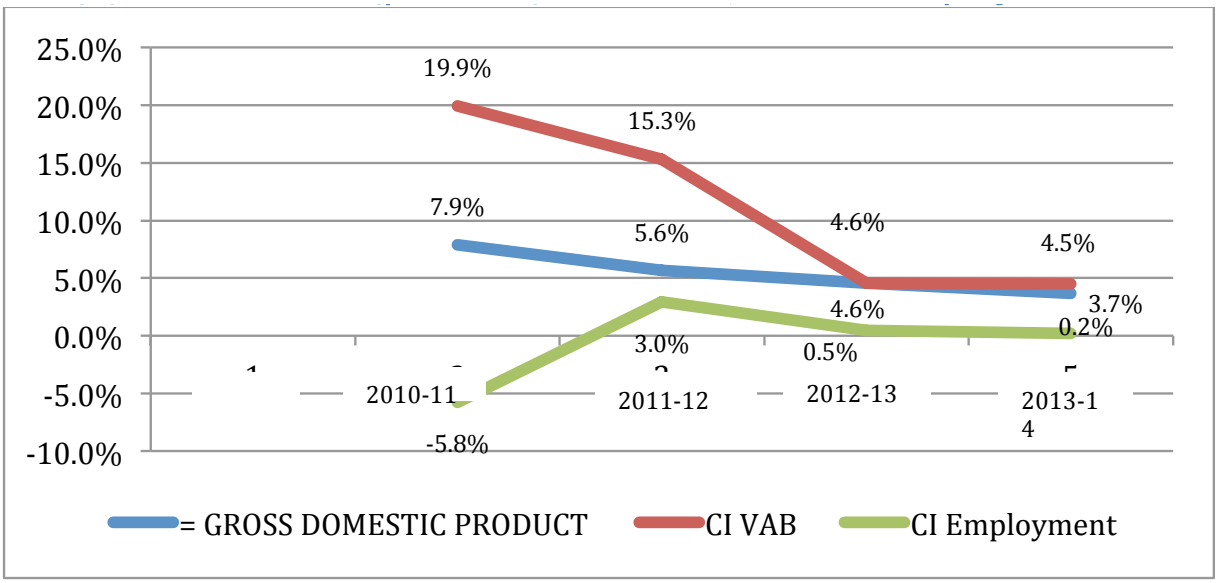
| PERFORMANCE INDICATOR | |
|---|---|
| Core | 76.3% |
| Interdependent | 15.9% |
| Partial | 59.8% |
| Support | 2,3% |
| TOTAL CIs | 51.1% |
| GDP-constant | 23.5% |

**Figure 4-4: Trends and growth rate (2010-2014) – GDP, GVA and employment of CIs**

**(a) Real GDP and VA of CIs (million USD in 2007/left axis)**
**Employment in CIs (thousands/right axis)**



**(b) Growth Rate (per cent). Real GDP, VA and employment of CIs**




Source: BCE

***Employment***

The employment rate used in this report is drawn from the National Employment and Unemployment Survey (ENEMDU), conducted at the corresponding four-digit ISIC level. It measures the number of people involved in any type of job or economic activity during the survey or in the available statistical instruments[17].

CIs generated 246,165 jobs in 2010. This was 4.03 per cent of the total employed population. Four years later, in 2014 they generated approximately 6,000 fewer jobs, which meant a decrease of 2.3 per cent during the relevant period. Special attention must be drawn to the relative decline compared to the total number of jobs, from 4.03 per cent in 2010 to 3.47 per cent in 2014. Considering the average behavior of the economy, it is interesting to analyze the implications of declining employment in this sector. On the one hand, it might be explained by strong growth in labor productivity, which is not unreasonable considering the growing access to technology and ITCs, especially in some core copyright industries like software, advertising and audiovisual.

On the other hand, it might reflect a deterioration of labor demand due to several factors: new substitutes for labor from the implementation of technology to reduce labor costs; declining economic growth which reduces private incentives to invest and start new businesses, or simply unregistered work in these industries as a result of misclassification or the unobserved economy. These hypotheses are not analyzed in this report, even though they suggest a situation that needs to be assessed and understood, which is precisely one of the goals of this research.

[17] As mentioned in the section on methodology, the years 2010 to 2012 are estimates of convergence between ISIC Rev.3.1 and Rev.4. From 2013 onwards, the data correspond to ISIC Rev.4.0. The results are obtained using expansion factors to obtain representativeness of the population (which does not imply representativeness at the level of economic activity, but is of course the better estimate). Employment results are multiplied by adjustment factors for each category.

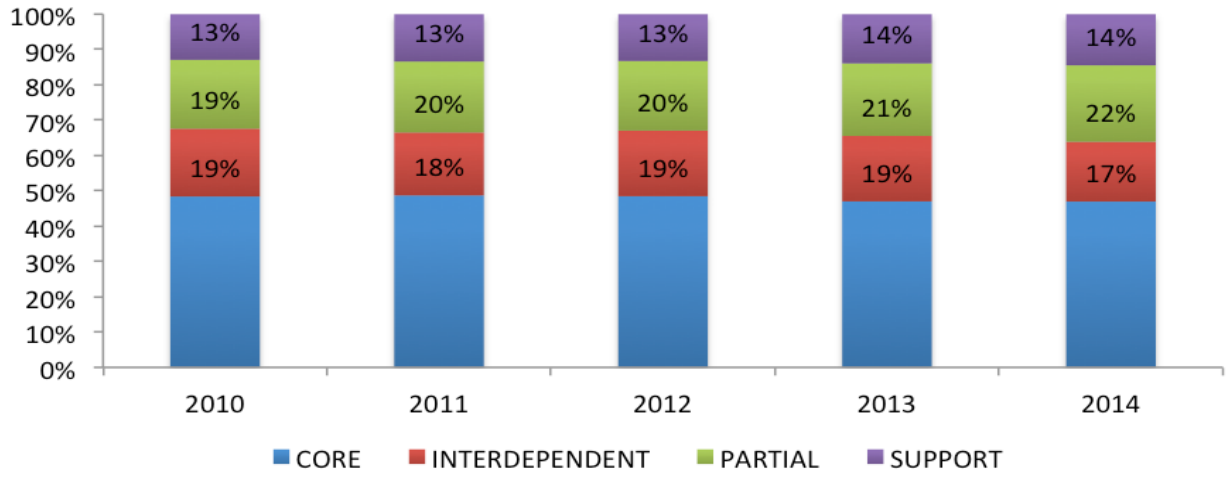
**Table 4-5: Employment in CIs and relative weight in total employment**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| CORE | 119.135 | 112.949 | 115.753 | 112.793 | 112.939 |
| INTERDEPENDENT | 47.248 | 41.300 | 44.351 | 44.467 | 40.709 |
| PARTIAL | 47.980 | 46.596 | 47.052 | 49.298 | 52.035 |
| SUPPORT | 31.802 | 31.091 | 31.653 | 33.421 | 34.814 |
| Total CIs | 246.165 | 231.936 | 238.809 | 239.980 | 240.497 |
| Total Employed Population | 6.113.230 | 6.304.834 | 6.424.840 | 6.664.241 | 6.921.107 |
| CIs/EP | 4.03% | 3.68% | 3.72% | 3.60% | 3.47% |

Source: Own estimates based on INEC, BCE, SRI information

As expected, core CIs generate the highest level of employment, accounting for nearly half of total jobs (47 to 49 per cent of jobs). Similar levels of employment were observed in the interdependent and partial CIs (around 20 per cent), even though in 2014 a higher weight of partial CIs is confirmed (22 per cent). Finally, non-dedicated support CIs accounted for 13 to 14 per cent of total employment in CIs (see Figure 4.5).

**Figure 4-5: Relative employment by CI categories**




Source: estimates, based on information from INEC and BCE

The ratio between the percentages of gross value-added, GDP and total employment of CIs calculated for the relevant period (2010 to 2014) provided an indicator of average labor productivity (see Table 4.6). During the relevant period, productivity in CIs increased from 91 per cent to 129 per cent. Core and partial CIs had the greatest increase in productivity; for instance, core CIs went from 91 per cent to 156 per cent and partial CIs from 76 per cent to 102 per cent.

**Table 4-6: Performance indicator – average labor productivity of CIs**

| AVERAGE LABOR PRODUCTIVITY (per cent) | | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | Δ 2010-2014 (% points) |
| CORE | 91% | 119% | 135% | 144% | 156% | 65 |
| INTERDEPENDENT | 116% | 138% | 133% | 128% | 143% | 27 |
| PARTIAL | 76% | 83% | 87% | 100% | 102% | 26 |
| SUPPORT | 72% | 83% | 89% | 81% | 62% | -10 |
| TOTAL CIs | 91% | 110% | 119% | 123% | 129% | 38 |

Source: estimates, based on information from INEC, BCE and SRI

Both economic aggregates show opposing trends: GVA is growing while the employment rate is falling, resulting in an apparent increase of average labor productivity. In total, CIs gained 38 per cent in average labor productivity during the 2010-2014 period.

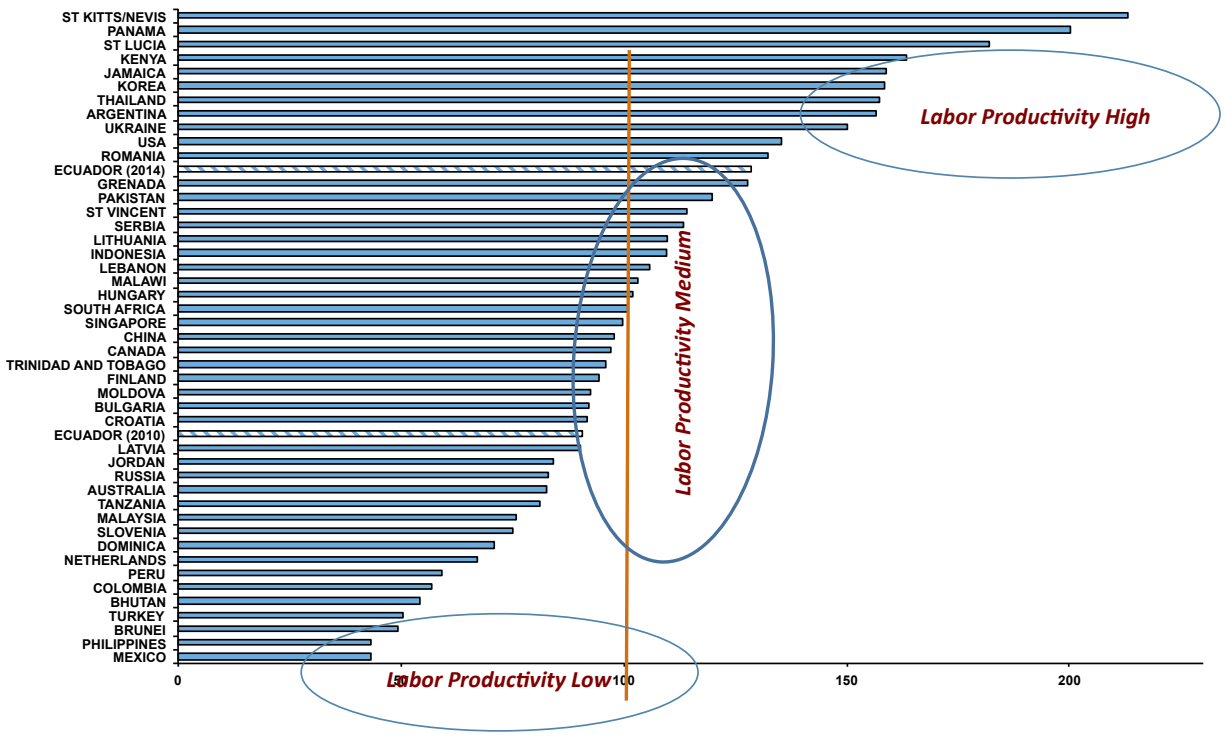
Nonetheless, a more detailed analysis is called for, given the evident differences in productivity behaviour among the industrial categories of CIs. Core copyright industries show the steepest growth (65 per cent). This could be due either to higher productivity in the sectors, with higher growth within the core copyright industries (as will be discussed below), which have a high level of technification and have incorporated technology into their productive processes, or could be the result of under-reporting employment in other sectors characterized by non-conventional labor contracts. According to some interviewees, in Ecuador there is an atypical (informal) mechanism of production, which is sustained by individual or collective talent who frequently work part-time or by project. The scope of this report does not allow for confirmation of this hypothesis. However, this phenomenon could be due to a combination of both circumstances.

Average labor productivity grew 26 per cent and 27 per cent respectively in interdependent and partial copyright industries. This corresponds to normal increasing productivity as a result of technification.

Finally, non-dedicated support industries showed a contrary trend: a decrease in average labor productivity of 10 per cent. This could be because this category includes mainly maturing industries with falling marginal productivity. The prevailing trend in this measurement is in infrastructure services industries, which are labor-intensive, as opposed to telephony and Internet services, which are technology-intensive. It is worth analyzing foreign trade, since the global trend is towards virtual commercial channels with significant technological incorporation. However, in Ecuador, traditional commercial channels with a significant labor component continue to prevail. This phenomenon diminishes the increase in the productivity of this economic activity.

However, for Ecuador it is logical to reduce the weight of these variations in productivity because, compared to other countries, the level of variation is not significant.

**Figure 4-6: Average labor productivity of CIs – international and time comparison**




Source: WIPO and estimates

Using a database provided by WIPO, which shows the results obtained from studies of the economic contribution of copyright industries in approximately 50 countries, it was possible to calculate average labor

productivity and make a comparison. Although it was not statistically rigorous, for instance because national measurements are made in different years, it was a useful input into making comparisons.

Despite the increased productivity of CIs between 2010 and 2014, the country remains in the average labor productivity bracket. In both years, Ecuadorian average labor productivity was higher than in other countries of the region such as Mexico, Colombia and Peru, but lower than in Argentina and Panama.

### *Foreign Trade*

In this report, foreign trade is analyzed with two main aggregates: exports, expressed in constant dollars (FOB) and imports (CIF). The data are obtained from the National Customs System of Ecuador (SENAE), which for tax purposes is reported through the Internal Revenue Services (SRI) through its multidimensional tables reporting system (see section on methodology for details). As for the other aggregates, the study team calculated Trade Balance (TB) as an indicator of performance, to compare trends in CIs with the rest of the economy.

Accordingly, it is important to note that the TB was clearly negative for all categories studied during the relevant period. There was a slight upward trend in the TB (from 739 million US dollars in 2011 to 753 million US dollars in 2014), which was due both to a decrease in exports (by 6 per cent between 2011 and 2014) and a 1 per cent growth in imports (in constant terms, millions of 2007 US dollars).

**Table 4-7: Foreign trade aggregates of CIs, 2010-2014**

| YEAR | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CIs/Aggregates | X | M | TB | X | M | TB | X | M | TB | X | M | TB | X | M | TB |
| CORE | 63 | 242 | -179 | 78 | 288 | -210 | 78 | 276 | -198 | 65 | 262 | -198 | 74 | 253 | -178 |
| INTERDEPENDENT | 85 | 382 | -297 | 31 | 410 | -379 | 29 | 382 | -353 | 32 | 423 | -391 | 31 | 435 | -405 |
| PARTIAL | 9 | 78 | -69 | 12 | 95 | -83 | 11 | 93 | -82 | 8 | 110 | -103 | 12 | 111 | -99 |
| SUPPORT | 11 | 63 | -53 | 14 | 81 | -67 | 12 | 84 | -72 | 10 | 94 | -84 | 10 | 80 | -70 |
| TOTAL | 168 | 766 | -597 | 135 | 874 | -739 | 130 | 835 | -705 | 114 | 890 | -775 | 127 | 880 | -753 |

X: Exports in constant FOB million USD
M: Imports in constant CIF million USD
TB: Trade Balance in constant million USD
Source: estimates based on information from SENAE and SRI.

It is therefore important to focus the analysis on the largest CI categories in terms of foreign trade. On the one hand, core CIs have the highest share of exports, with about 60 per cent of total exports, yet they have 3 to 4 times lower levels of imports of the same goods and services (see Table 4.8). This makes Ecuador a net importer of copyright-protected goods and shows the significance of a growing market, which is mainly populated by foreign products.

**Table 4-8: Foreign trade in CIs – imports/exports ratio**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| CORE | 3.8 | 3.7 | 3.6 | 4,1 | 3.4 |
| INTERDEPENDENT | 4.5 | 13.1 | 13.1 | 13,3 | 14.2 |
| PARTIAL | 8.8 | 8.0 | 8.4 | 14,3 | 9.4 |
| SUPPORT | 5.9 | 5.8 | 6.7 | 9,4 | 8.0 |
| **TOTAL** | **4.5** | **6.5** | **6.4** | **18.4** | **6.9** |

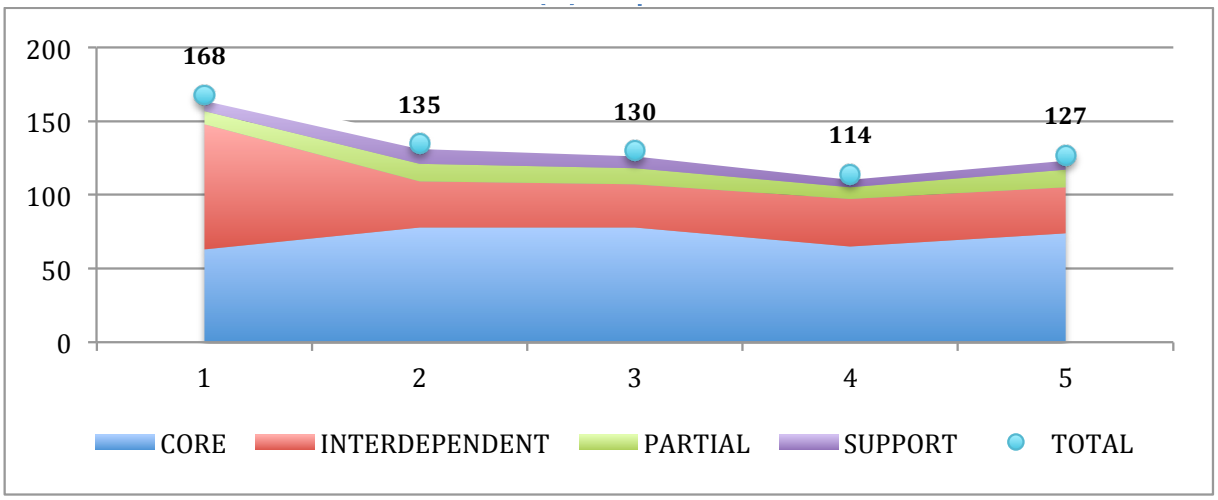
Interdependent CIs have more weight in relation to total imports of CIs, with about half of total imports. This could be due to the absence of a national industry capable of providing these facilities to artists.

The trend of imports is positive (6 per cent growth between 2011 and 2014), which shows a sharp increase in demand for such goods.

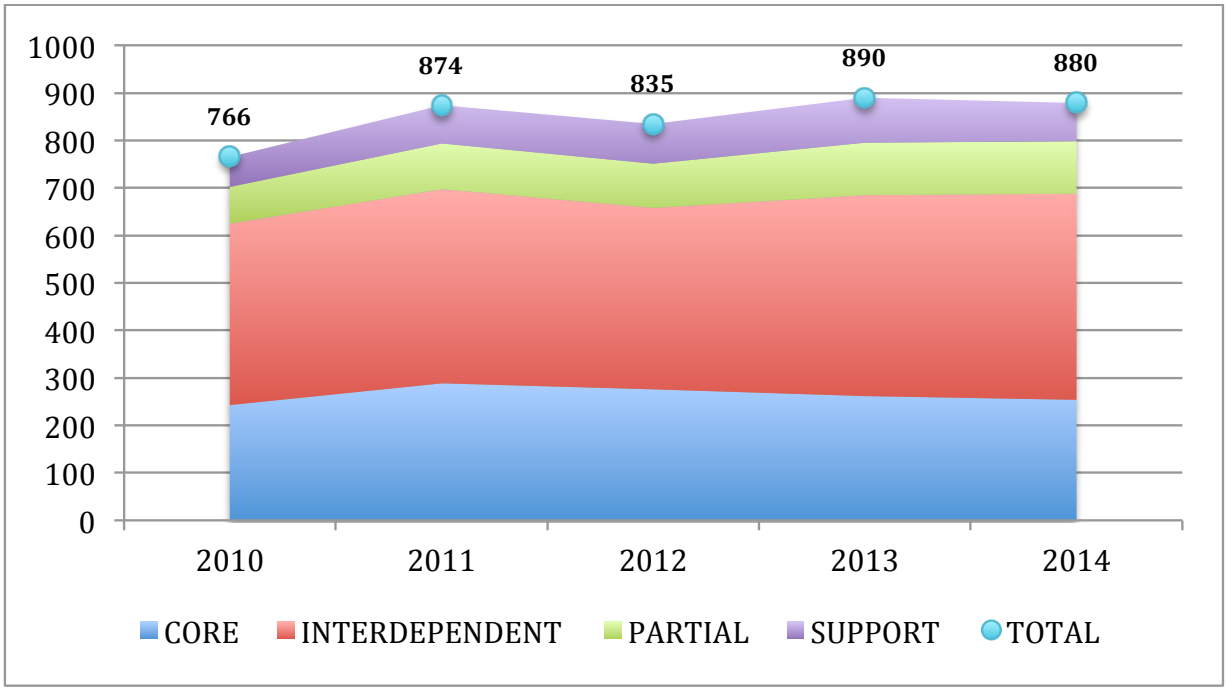
Partial CIs performed similarly, with a steady level of exports and an increasing level of imports (by 17 per cent). This suggests that these industries are still underperforming, thereby reducing the capacity of the national economy to take advantage of the opportunities resulting from the mixing of creativity and industrial processes on a large scale.

**Figure 4-7: Exports, imports and trade balance by category, 2010-2014 (million USD – constant terms)**

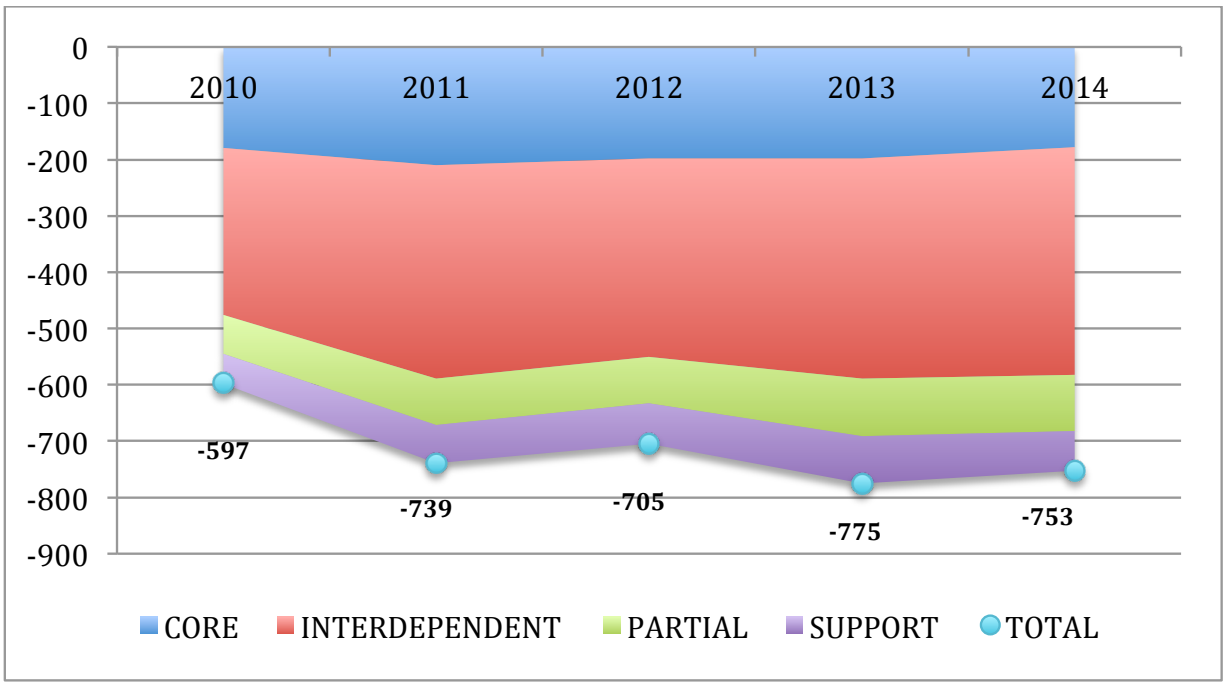
**(a) Exports**




**(b) Imports**



**(c) Trade balance**




## 4.3 Core Copyright Industries

*Value-Added*

Core copyright industries experienced significant growth during the relevant period. In 2010-2014, total value-added grew by 76 per cent. Five of the nine sectors in this category (core CIs) saw value-added growth. Some of the sectors with significant growth are software and databases, (196 per cent) whose values almost tripled between 2010 and 2014. Similarly, advertising services almost doubled their value-added during this period (102.5 per cent).

**Table 4-9: GVA of core copyright industries, 2010-2014 (million 2007 USD – constant terms)**

| Sector | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | +%20 10-14 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | US$ | % | US$ | % | US$ | % | US$ | % | US$ | % | % |
| Visual and graphic arts | 14 333 | 1.40% | 14 339 | 1.10% | 14 396 | 0.90% | 13 690 | 0.80% | 13x 944 | 0.80% | -2.70% |
| Photography | 6 097 | 0.60% | 5 933 | 0.50% | 5 806 | 0.40% | 5 888 | 0.40% | 5 944 | 0.30% | -2.50% |
| Music, Theatrical Productions, Opera | 43 917 | 4.40% | 43 718 | 3.40% | 43 693 | 2.80% | 42 653 | 2.60% | 41 664 | 2.30% | -5.10% |
| Motion Picture and Video | 19 655 | 2.00% | 23 056 | 1.80% | 26 205 | 1.70% | 30 348 | 1.90% | 32 012 | 1.80% | 62.90% |
| Printing and literature | 304 827 | 30.30% | 396 544 | 30.50% | 480 637 | 30.70% | 326 566 | 20.00% | 297 211 | 16.80% | -2.50% |
| Software and Databases | 202 662 | 20.10% | 239 320 | 18.40% | 273 218 | 17.40% | 529 475 | 32.40% | 599 415 | 33.80% | 195.80% |
| Radio and Television | 132 632 | 13.20% | 230 699 | 17.80% | 319 925 | 20.40% | 207 451 | 12.70% | 211 689 | 11.90% | 59.60% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Advertising Services | 281 274 | 28.00% | 343 863 | 26.50% | 401 511 | 25.60% | 475 758 | 29.10% | 569 699 | 32.10% | 102.50% |
| Copyright Collecting Societies | 820 | 0.10% | 1 081 | 0.10% | 1 640 | 0.10% | 1 981 | 0.10% | 2 585 | 0.10% | 215.30% |
| TOTAL CORE | 1 006 218 | 100.00% | 1 298 554 | 100.00% | 1 567 032 | 100.00% | 1 633 810 | 100.00% | 1 774 166 | 100.00% | 76.30% |

Source: estimates based on INEC, BCE and SRI information

These significant levels of growth in value-added in both sectors transformed the relative contributions of the core CIs. In 2010, the software and database sector was 20 per cent of the total value-added of core CIs, reaching 34 per cent in 2014 and becoming the main sector in this category. Similarly, advertising services increased from 28 per cent to 32 per cent. Currently, both sectors contribute 2/3 of all value-added for core CIs.[18]

It is worth mentioning that the value-added of the Copyright Collecting Societies (CCS) increased by 215 per cent, which shows an intensive pace of activities linked to creation – and therefore to copyright – during this period. Yet, their contribution is marginal in the total value-added generated in this category (0.1 per cent).

Radio and television had similar levels of significant growth (by 60 per cent), as did motion pictures and video (by 63 per cent). Yet, in relative terms, both shares in this category within the core CIs fell. Moreover, in 2010, both sectors created 10,000 jobs, that is 18 per cent of the total employment in this category. Interestingly enough, there has been a surge in audiovisual activities in recent years, which has galvanized the core CIs.

A contrary trend during the same period shows 4 sectors with declining value-added. The most significant one is press and literature; this is due to its relative weight within the industry. The decline could be explained by the change of business model in news organizations. Newspapers and television broadcasters are reworking their business models because of the advent of social networks, and thus distribution channels and profitability are changing drastically. The table shows a 2.5 per cent decrease in the absolute value and their weight in the industry dropped significantly from 30 per cent to 17 per cent of the value-added of core CIs. The decline in this sector was particularly steep in 2010, when press and literature accounted for almost 50 per cent of the employment of core CIs (see table below).

There was a downward trend in music, theatrical productions and opera (5.1 per cent), in visual and graphic arts (2.7 per cent) and photography (2.5 per cent) during the relevant period; together, they account for 3.4 per cent of the total value-added for core CIs.

### *Employment*

The analysis of the size of the labor force involved in CIs requires special focus. The creative process is not necessarily labor-intensive and tends to rely on the individual creation process; however, the production of goods and services that are directly or indirectly related to the creative industries is not negligible and it is essential to understand and take a broad view of it in order to grasp the level of interdependence of these industries and their influence on general economic development. Many industries dedicate a significant part of their work to production. Core CIs generated more than 119,000 jobs in 2010, particularly in radio and television and advertising services, followed by press and literature.

[18] The increase in employment could be an instrumental problem. The study team used a survey (ENEMDU) whose sample increased between 2013 and 2014 and therefore registers more labor in some sectors, as is certainly the case for press and printing.

**Table 4-10: Employment by economic activity – core copyright industries**

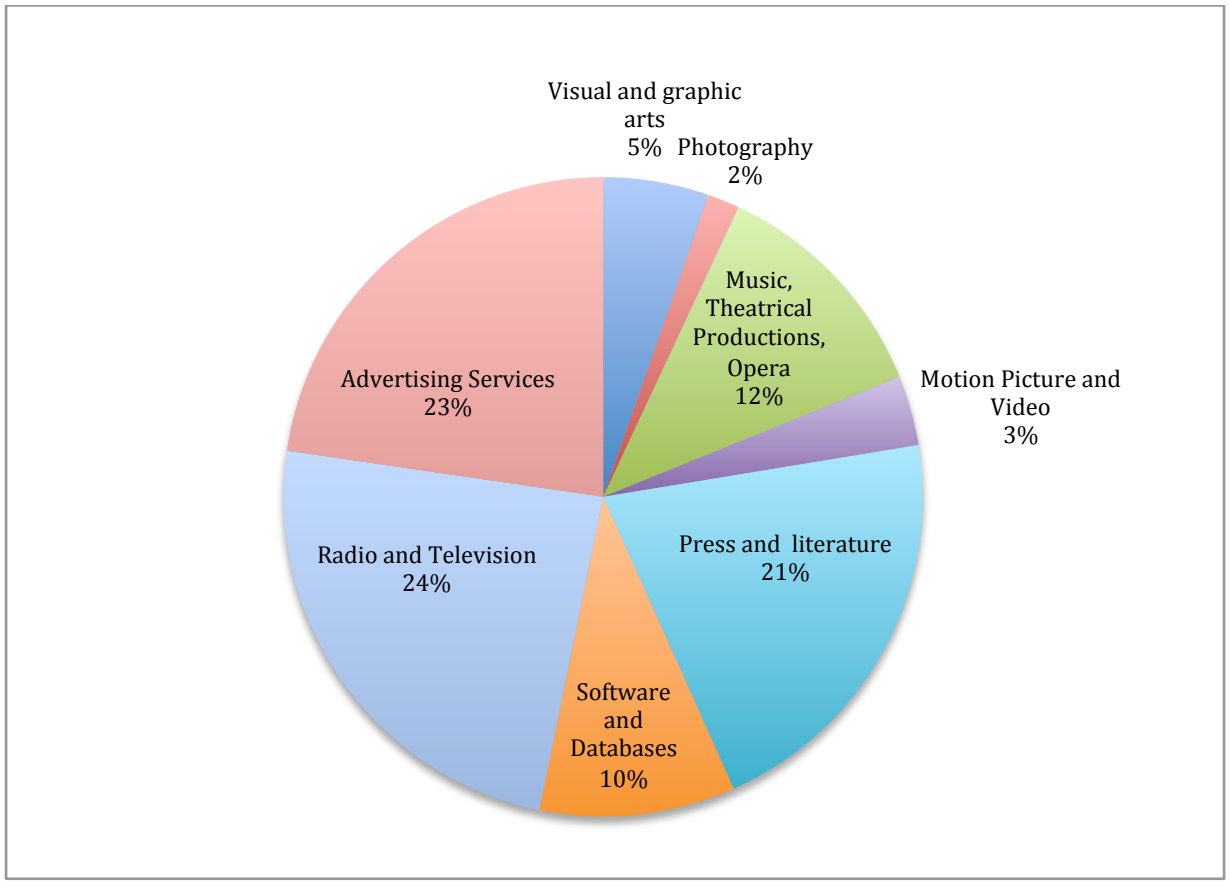
| Economic Activity | 2010 | 2011 | 2012 | 2013 | 2014 | 2010-2014 |
|---|---|---|---|---|---|---|
| Visual and Graphic arts | 6,368 | 6,518 | 4,466 | 5,490 | 5,644 | -11% |
| Photography | 1,915 | 3,851 | 3,808 | 2,023 | 2,882 | 51% |
| Music, Theatrical Productions, Opera | 14,193 | 10,067 | 8,244 | 12,635 | 10,939 | -23% |
| Motion Picture and Video | 4,202 | 3,542 | 3,905 | 6,736 | 4,216 | 0.3% |
| Press and Literature | 24,892 | 29,840 | 31,086 | 42,507 | 43,454 | 75% |
| Software and Databases | 11,781 | 16,327 | 20,836 | 11,660 | 13,706 | 16% |
| Radio and Television | 28,699 | 20,304 | 22,355 | 10,294 | 12,659 | -56% |
| Advertising Services | 27,023 | 22,459 | 20,992 | 21,386 | 19,374 | -28% |
| Copyright Collecting Societies | 61 | 40 | 61 | 61 | 66 | 9% |
| TOTAL LABOR CIs CORE | 119,135 | 112,949 | 115,753 | 112,793 | 112,939 | -5% |

Source: estimates based on INEC and BCE information

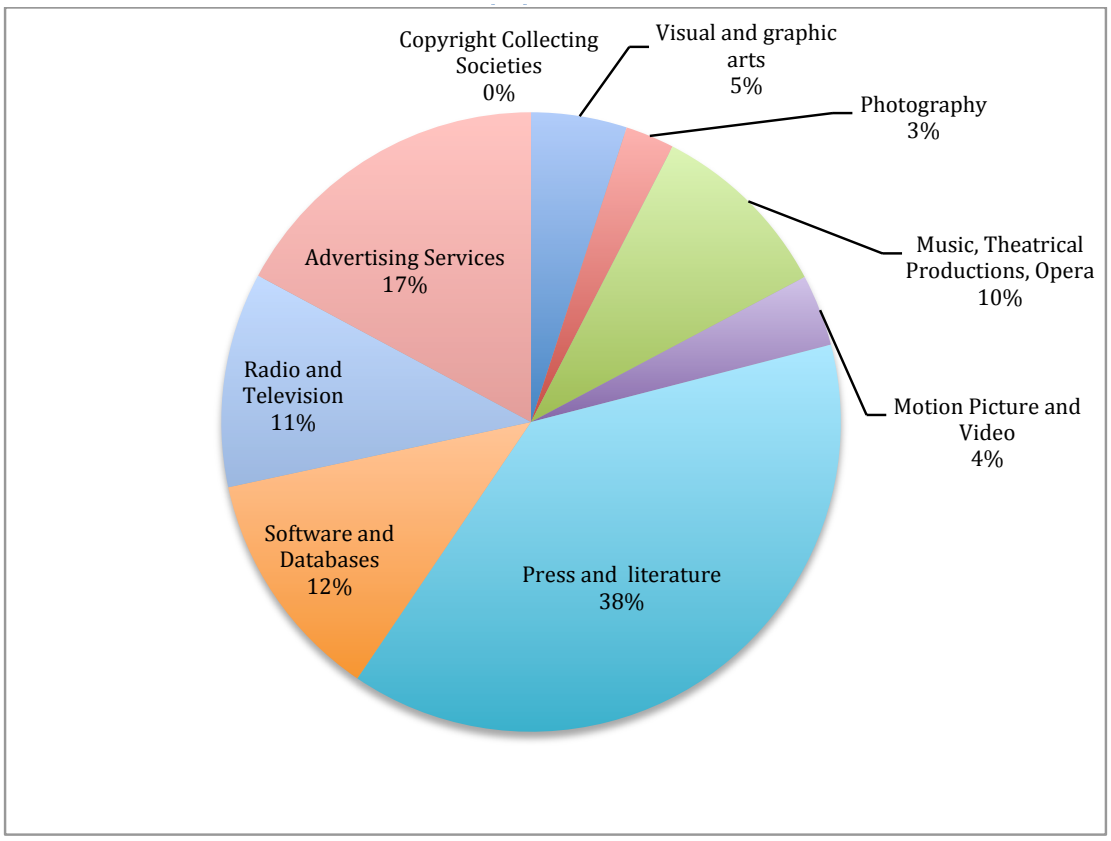
This number dropped by 5 per cent by 2014, to a total of approximately 113,000, that is 6,000 jobs than in 2010. In 2014, the economic sectors with more significant levels of employment were: press and literature (28 per cent); advertising services (17 per cent); software and databases (12 per cent); and radio and television (11 per cent).

**Figure 4-8: Relative employment by economic activity: core copyright industries, 2010 and 2014 (per cent)**

**(a) 2010**



**(b) 2014**



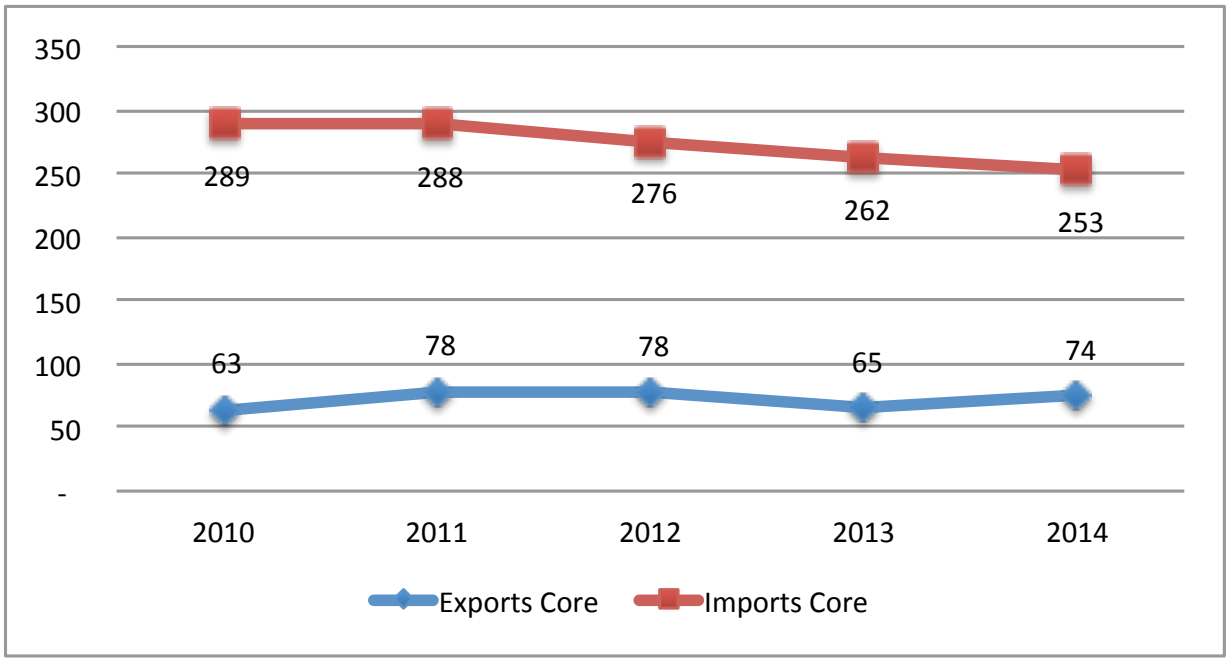

As can be seen, the fluctuations in employment in certain economic sectors during the relevant period were fairly abrupt. Beyond any valid economic explanation for these trends, it is worth bearing in mind the shortcomings of the statistical analysis that the team performed in order to generate estimates. The statistical data obtained for employment are not representative of sector and economic activity and there were changes of industrial classification in the System of National Accounts, moving from ISIC 3.1 to ISIC 4.0, which involved a reclassification of activities and employment types that could have generated some inconsistencies.

### *Foreign Trade*

Similarly, globalization exposes economies to new challenges as they seek to maintain economic dynamism. Global competition involves rapid adaptation and innovation. Information and knowledge, sometimes inherent in the goods or service itself, change hands quickly between regions and their multiplier effect becomes harder to assess. As with connectivity, foreign trade itself becomes the channel through which this dissemination is accentuated. This rapid development poses new challenges for copyright laws and institutions in terms of imposing international enforcement and policy reach. To develop strategies for this approach, it is crucial to understand the volume of foreign trade of CIs between economies.

In terms of foreign trade of core CIs, there was a relative increase in exports and a decrease in imports within the relevant period (see Figure 4.9).

**Figure 4-9: Exports and imports of core CIs, 2010-2014 (FOB and CIF million 2007 USD – constant terms)**




Nevertheless, as the chart shows, the trade balance, which is exports minus imports (net exports) remains negative during the entire period. In 2014, imports exceeded exports by 179 million US dollars (in constant 2007 US dollars). The trade balance fell considerably (by 21 per cent) between 2010 and 2014, mainly as a result of an increase in exports of advertising services and a decrease in imports of press and literature.

**Table 4-11: Foreign trade in core copyright industries**

| Economic activities | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | X | M | TB | X | M | TB | X | M | TB | X | M | TB | X | M | TB |
| Visual and Graphic Arts | 1.13 | 18.25 | (17.13) | 1.14 | 37.76 | (36.63) | 2.40 | 36.54 | (34.13) | 2.62 | 30.77 | (28.14) | 3.41 | 30.50 | (27.09) |
| Photography | - | - | - | - | 0.03 | (0.03) | 0.00 | 0.09 | (0.09) | 0.00 | 0.07 | (0.06) | 0.02 | 0.12 | (0.10) |
| Music, Theatrical Productions, Opera | 1.62 | 32.75 | (31.13) | 1.90 | 34.48 | (32.59) | 2.26 | 35.21 | (32.94) | 2.16 | 34.46 | (32.31) | 2.13 | 33.39 | (31.26) |
| Motion Picture and Video | 0.39 | 7.28 | (6.89) | 0.49 | 8.72 | (8.23) | 0.54 | 10.20 | (9.66) | 0.57 | 13.83 | (13.25) | 0.77 | 13.59 | (12.82) |
| Press and Literature | 5.31 | 164.12 | (158.80) | 5.40 | 117.50 | (112.10) | 6.95 | 113.74 | (106.79) | 6.66 | 104.09 | (97.43) | 7.52 | 100.69 | (93.16) |
| Software and Databases | 48.53 | 59.43 | (10.90) | 58.65 | 82.31 | (23.67) | 54.08 | 75.08 | (20.99) | 42.07 | 73.44 | (31.38) | 46.78 | 67.92 | (21.14) |
| Radio and Television | 1.13 | 5.19 | (4.06) | 1.05 | 1.95 | (0.91) | 1.58 | 1.42 | 0.16 | 0.37 | 1.43 | (1.06) | 0.74 | 2.08 | (1.33) |
| Advertising Services | 5.37 | 2.11 | 3.26 | 9.27 | 5.34 | 3.93 | 9.78 | 3.47 | 6.31 | 10.18 | 4.16 | 6.01 | 13.05 | 4.60 | 8.44 |
| TOTAL CORE | 63.47 | 289.12 | (225.65) | 77.88 | 288.10 | (210.21) | 77.60 | 275.74 | (198.14) | 64.63 | 262.24 | (197.62) | 74.42 | 252.89 | (178.47) |

Source: estimates based on SENAE and SRI information

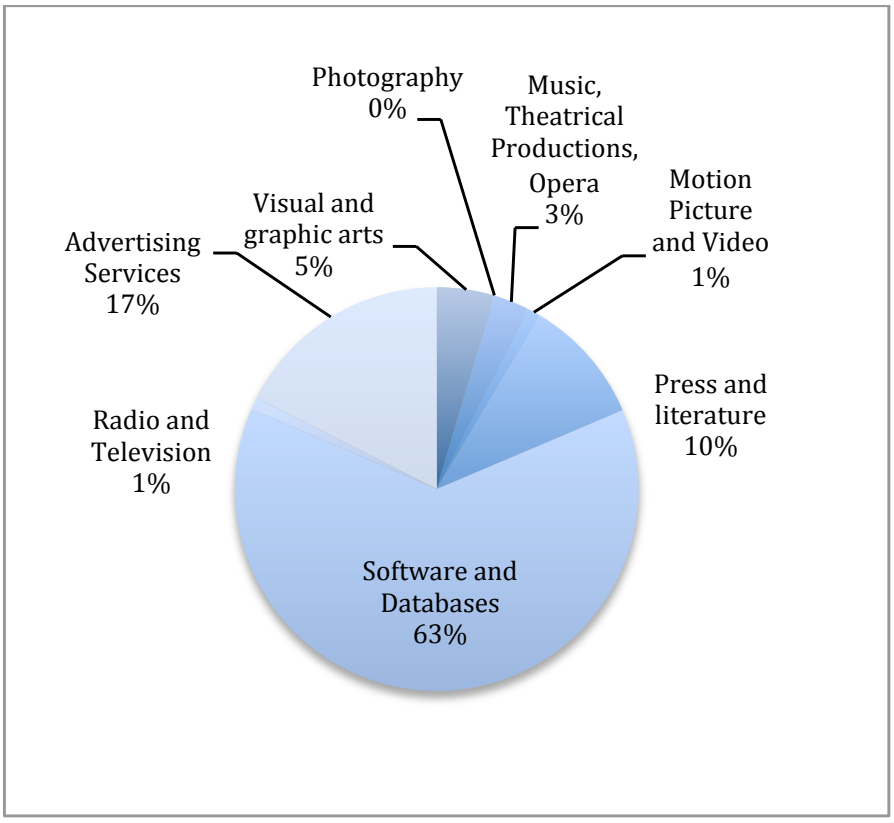
In trade performance, the software and databases sector has the greatest share of exports (63 per cent of total core CIs) but, surprisingly, a decrease in the percentage of exports (by 4 per cent) during the relevant

period. In contrast, software and databases imports increased by 14 per cent at the same time, being the second largest category of imports. However, this does not generate a very significant difference between the export and import levels of these goods, as imports in 2014 were 145 per cent of exports.

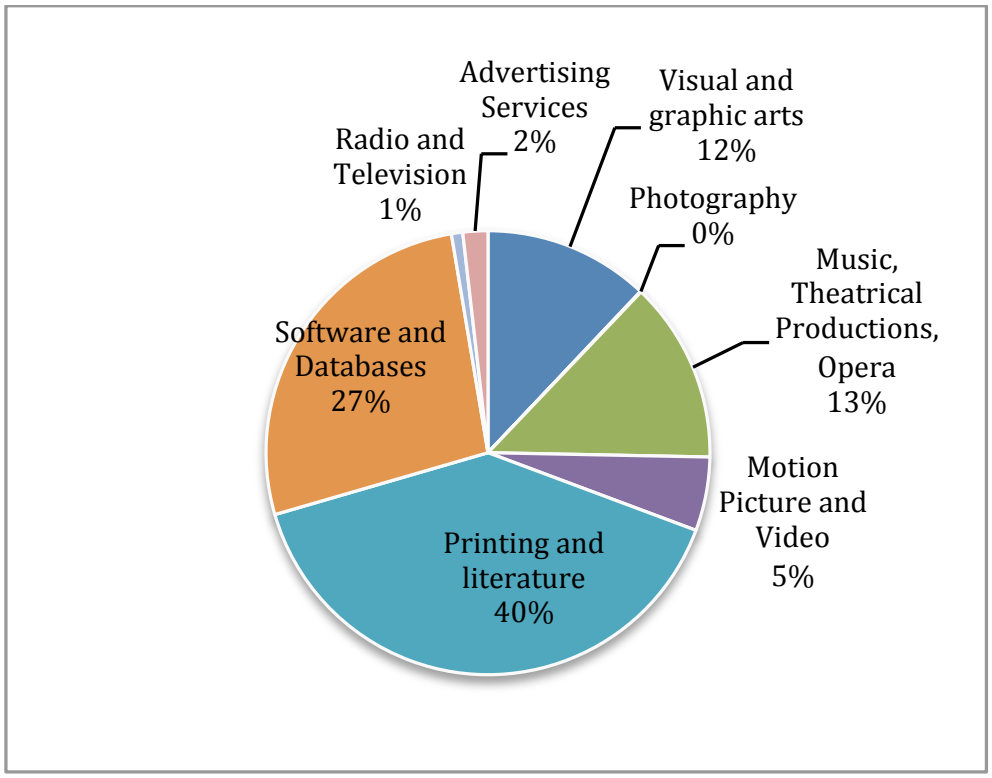
Advertising services is the second largest export category. In 2014, it accounted for 17 per cent of total exports of core copyright industries. This economic activity saw significant growth in its foreign sales, from 5 million US dollars in 2010 to 15 million US dollars in 2014, and especially with a fairly stable external balance: the value of imports was only 35% of the value of exports.

**Figure 4-10: Export and imports composition of CIs by economic activity, 2014**

**(a) Exports**



**(b) Imports**




Source: estimates based on SENAE and SRI Information

Press and literature accounts for 40 per cent of total imports in core CIs, although its imports decreased by 39 per cent between 2010 and 2014. Conversely, exports grew by 42 per cent, which generated a slight reduction of the trade deficit, which nonetheless reached 93 million US dollars. This means that in 2010, imports were 31 times the value of exports and in 2014, imports were only 13 times the value of exports.

## 4.4 Interdependent copyright industries

Interdependent copyright industries are those related to the manufacture, distribution and sale of equipment and media used by protected works.[19] They are characterized by high levels of imports as compared to exports.

[19] On the basis of particular characteristics of the Ecuadorian System of National Accounts, there is no further disaggregation for this industry at sector level. The disaggregation used for this report, in this category, is presented at the economic activity level.

*Value-Added*

**Table 4-12: GVA of interdependent copyright industries, 2010-2014 (thousand 2007 USD – constant terms)**

| Economic Activity | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | %Growth 2010_2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | % | USD | % | USD | % | USD | % | USD | % | |
| Computers and Equipment | 58,775 | 11.6% | 76,928 | 14.0% | 93,567 | 15.8% | 100,623 | 17.5% | 101,500 | 17.3% | 72.7% |
| Photocopiers | 19,677 | 3.9% | 27,425 | 5.0% | 34,508 | 5.8% | 51,020 | 8.9% | 75,745 | 12.9% | 284.9% |
| Photographic and Cinematographic Instruments | 158,742 | 31.3% | 155,940 | 28.3% | 153,969 | 26.0% | 107,526 | 18.7% | 74,347 | 12.6% | -53.2% |
| Musical Instruments | 137,468 | 27.1% | 128,859 | 23.4% | 121,558 | 20.6% | 145,251 | 25.2% | 174,692 | 29.7% | 27.1% |
| Blank Recording Material | 9,191 | 1.8% | 9,353 | 1.7% | 9,532 | 1.6% | 6,016 | 1.0% | 3,811 | 0.6% | -58.5% |
| Paper | 59,683 | 11.8% | 80,614 | 14.6% | 99,770 | 16.9% | 65,407 | 11.3% | 50,958 | 8.7% | -14.6% |
| TV sets, Radios, VCRs, DVD players, Electronics, Game Equipment and Similar Devices | 64,001 | 12.6% | 71,331 | 13.0% | 78,193 | 13.2% | 100,622 | 17.5% | 106,953 | 18.2% | 67.1% |
| **Total INTERDEPENDENT** | **507,538** | **100.0%** | **550,451** | **100.0%** | **591,097** | **100.0%** | **576,464** | **100.0%** | **588,007** | **100.0%** | **15.9%** |

Source: estimates based on INEC, BCE and SRI information

The most representative economic activities within the interdependent CIs are musical instruments and photographic and cinematographic instruments. During the relevant period, they accounted for 58 per cent and 42 per cent respectively of the value-added of interdependent CIs. Musical instruments increased by over 27 per cent between 2010 and 2014, and photographic and cinematographic instruments experienced a sharp drop of 53 per cent.

Nonetheless, both economic activities had a negative foreign trade balance, rising from 34 million US dollars in 2010 to 54 million US dollars in 2014, a significant slowdown that resulted from a significant rise in exports (122 per cent) for musical instruments and 148 per cent for photographic and cinematographic instruments. Yet, the trade imbalance for imports of musical instruments is 31 times the amount of exports, and six times in the case of photographic and cinematographic Instruments.

*Employment*

Musical instruments and photographic and cinematographic instruments generated most of the employment in the sector (about 30,000 jobs), which accounted for 69 to 79 per cent of the total of this sector during the relevant period.

**Table 4-13: Employment in interdependent copyright industries, 2010-2014 (no. of persons)**

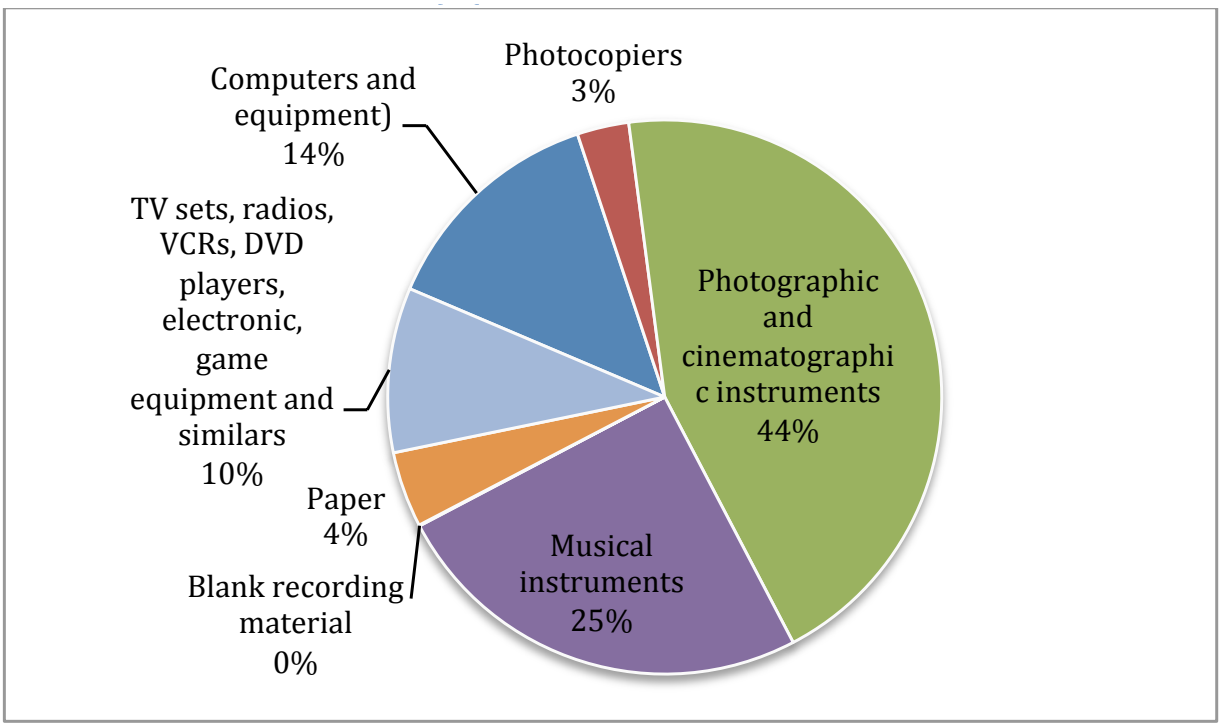
| Sector | 2010 | 2011 | 2012 | 2013 | 2014 | Growth 2010-2014 |
|---|---|---|---|---|---|---|
| Computers and Equipment | 6,384 | 3,691 | 4,989 | 4,830 | 5,319 | -17% |
| Photocopiers | 1,427 | 230 | 348 | 311 | 290 | -80% |
| Photographic and Cinematographic Instruments | 20,980 | 15,510 | 20,073 | 21,581 | 20,111 | -4% |
| Musical Instruments | 11,798 | 13,672 | 12,028 | 13,450 | 10,021 | -15% |
| Blank Recording Material | 25 | 103 | 29 | 29 | 60 | 139% |
| Paper | 2,089 | 3,273 | 2,785 | 1,915 | 2,749 | 32% |
| TV sets, Radios, VCRs, DVD players, Electronics, Game Equipment and Similar Devices | 4,544 | 4,821 | 4,099 | 2,351 | 2,160 | -52% |
| **Total INTERDEPENDENT** | **47,248** | **41,300** | **44,351** | **44,467** | **40,709** | **-14%** |

Source: estimates based on INEC, BCE and SRI information

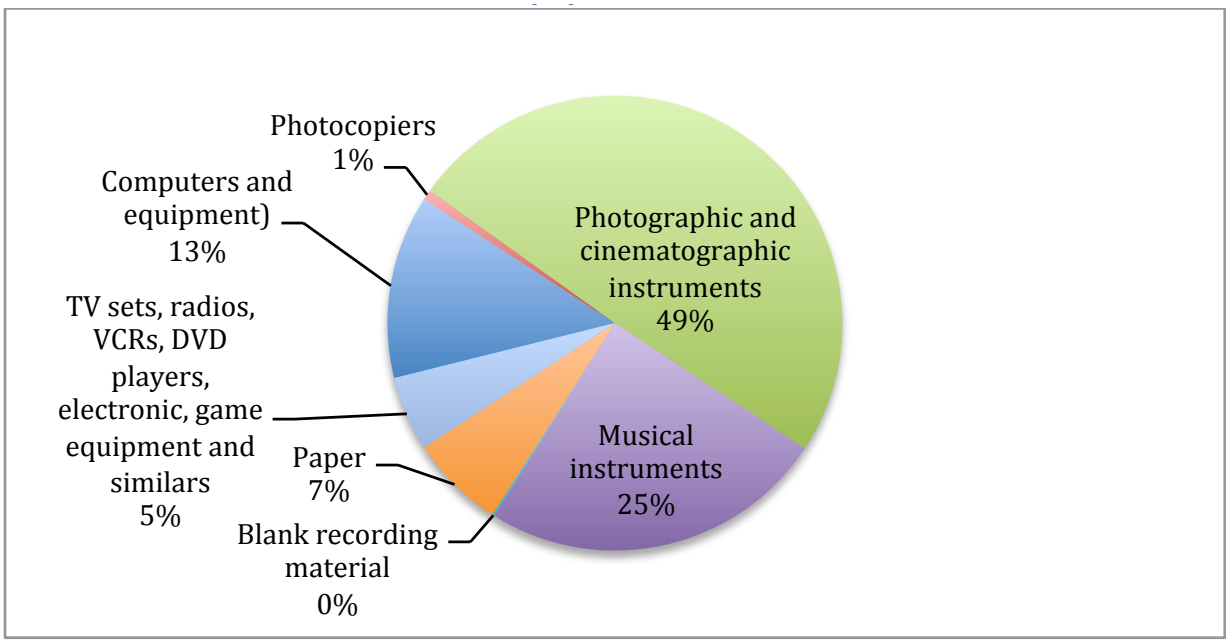
Employment in this category is falling. In 2010 it accounted for 47,000 jobs and in 2014 it generated approximately 40,000 jobs, which represents a decline of 14.8 per cent during the relevant period. The study team attributes this to two different factors. Firstly, sectors such as photocopiers have faced significant upheavals in terms of their business model, the advent of new digital documentation management systems (including public ones) in the market and the industry having had an adverse effect. Secondly, there is an evident loss of employment for all economic activities of the industry following the deterioration of some labor aggregates in the economy. The only two sectors of the category that show an increase are the paper industry, which has improved its employment level by 32 per cent, and blank recording material, which has grown by about 139 per cent.

**Figure 4-11: Employment in interdependent industries by economic activity, 2010 and 2014**

**(a) 2010**



**(b) 2014**




Source: estimates based on INEC and BCE information

Trends in blank recording material are unclear and the data should be viewed with caution; it is suspected that this category supplies inputs for illegal recordings of audiovisual and software material. Therefore, the increased employment in this category should not be taken at face value; a detailed study would need particularly painstaking research to uncover the related unobserved economy. There have been many efforts to assess the level of informal activities. However, the results are necessarily biased given the approach and the information instruments applied. The study team did not research this issue in depth and the study results are based on official sources of information.

### *Foreign Trade*

Interdependent CIs show the largest trade deficit of all CIs. In 2014, the negative trade balance stood at 404.7 million US dollars, 7 per cent higher than in 2011.

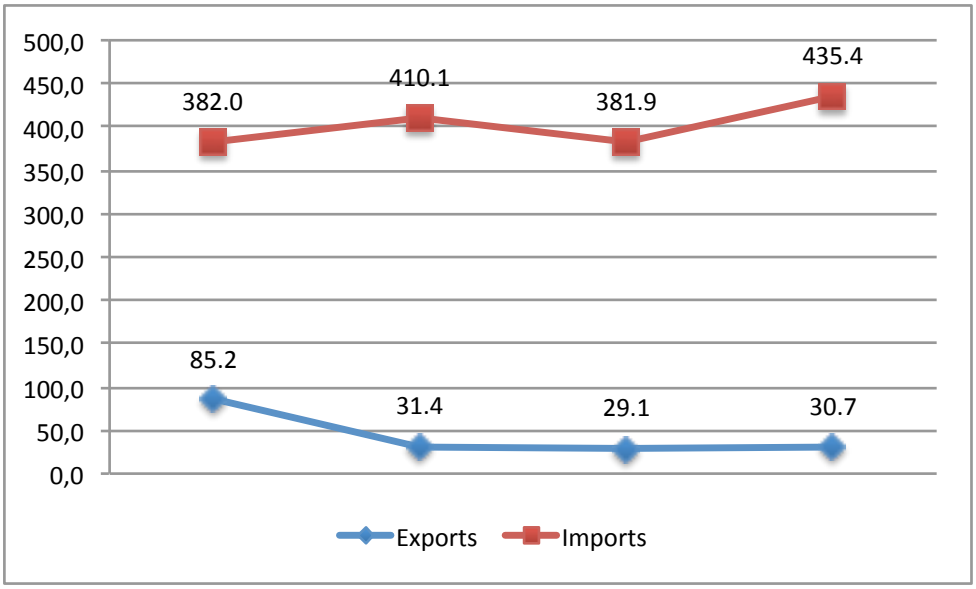
**Table 4-14: Foreign trade in interdependent industries (million 2007 USD – current terms)**

| Economic Activity | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | X | M | TB | X | M | TB | X | M | TB | X | M | TB | X | M | TB |
| TV sets, radios, VCRs, DVD players, electronic, game equipment and similar devices | 16 | 808 | -792 | 38 | 1058 | -1019 | 31 | 1138 | -1107 | 27 | 1205 | -1178 | 28 | 161.5 | -158.7 |
| Computers and equipment) | 1.4 | 20.8 | -19.4 | 3.1 | 39.5 | -36.4 | 2.4 | 42.2 | -39.7 | 2.5 | 52.9 | -50.5 | 3.4 | 42.1 | -38.7 |
| Musical instruments | 0.6 | 21.3 | -20.7 | 1.2 | 45.7 | -44.6 | 1.4 | 44.3 | -42.9 | 1.2 | 44.2 | -43.0 | 1.3 | 39.5 | -38.2 |
| Photographic and cinematographic instruments | 1.2 | 12.9 | -11.7 | 2.0 | 16.2 | -14.3 | 2.3 | 15.9 | -13.6 | 3.1 | 16.5 | -13.3 | 3.0 | 18.6 | -15.6 |
| Photocopiers | 1.1 | 53.6 | -52.5 | 1.4 | 26.1 | -24.7 | 0.6 | 29.7 | -29.1 | 0.5 | 28.9 | -28.4 | 0.5 | 26.6 | -26.1 |
| Blank recording material | 0.1 | 4.0 | -3.9 | 0.2 | 4.8 | -4.5 | 0.1 | 4.8 | -4.6 | 0.2 | 5.7 | -5.5 | 0.1 | 3.8 | -3.7 |
| Paper | 79.1 | 188.8 | -109.6 | 19.7 | 172.0 | -152.4 | 19.1 | 131.3 | -112.2 | 21.7 | 154.3 | -132.6 | 19.6 | 143.3 | -123.7 |
| **GRAND TOTAL** | **85.2** | **382.0** | **-296.9** | **31.4** | **410.1** | **-378.7** | **29.1** | **381.9** | **-352.9** | **31.9** | **422.9** | **-391** | **30.7** | **435.4** | **-404.7** |

Source: estimates based on SENA and SRI information

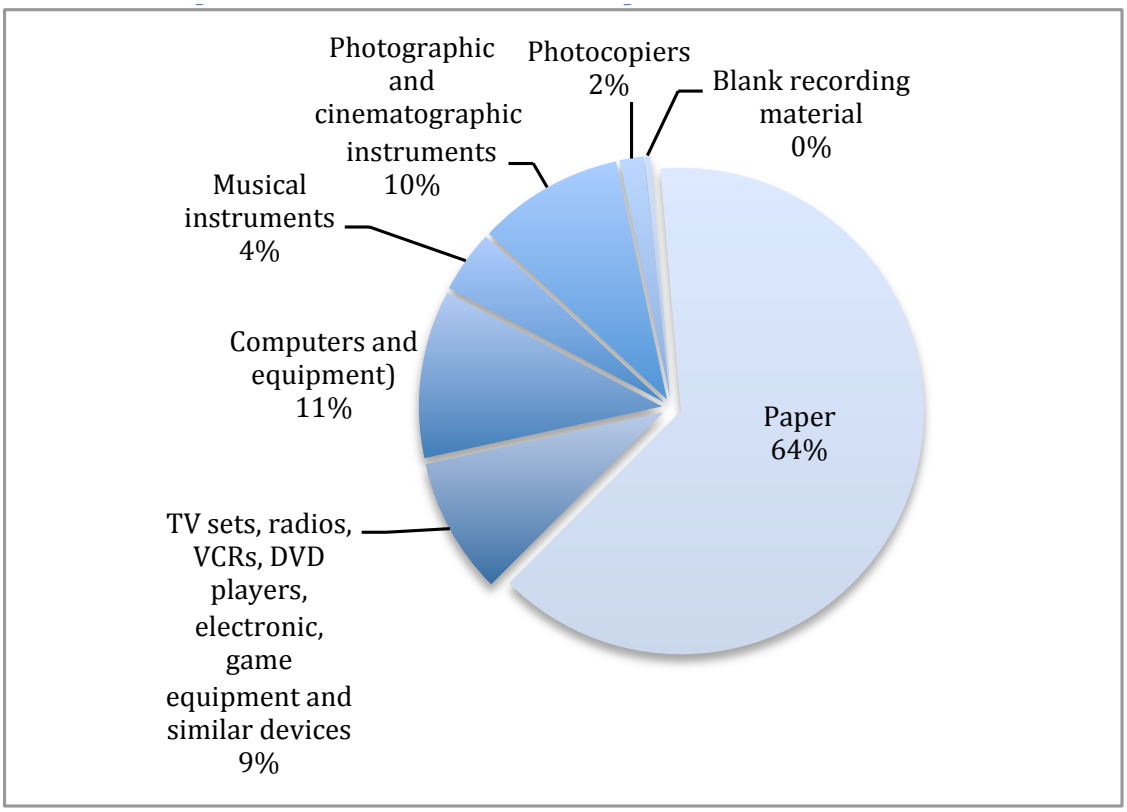
The trade balance for interdependent CIs is affected by imports in two categories: (i) TV sets, radios, VCRs, DVD players, electronic game equipment and (ii) paper. Together, they account for 70 per cent of total imports of interdependent CIs. Therefore, special attention should be paid to the first category, which grew quickly (by 53 per cent) in just 3 years.

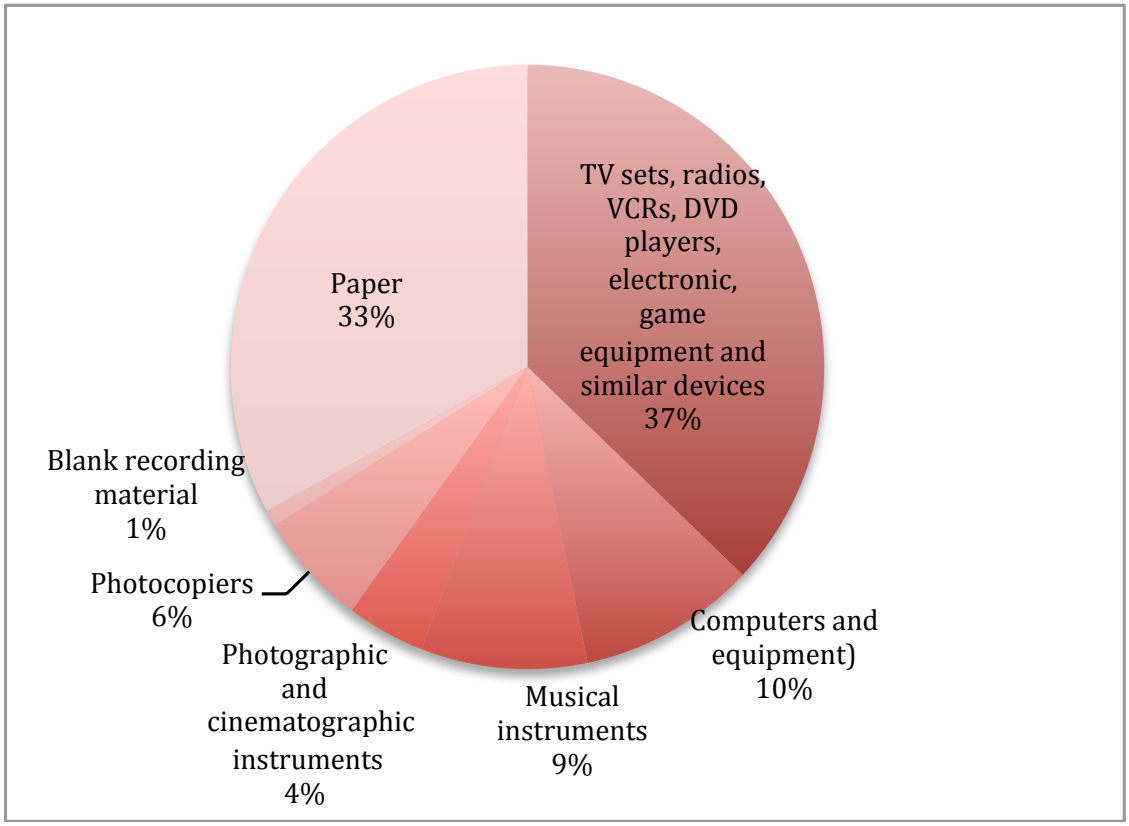
**Figure 4-12: Export and import trends in interdependent copyright industries, 2010-2014**




The foreign trade component of Interdependent CIs is strongly influenced by economic activities related to the paper industry, which is in turn mainly related to printing activities. For example, in 2014, this category accounted for 64 per cent of exports and 33 per cent of imports.

**Figure 4-13: Interdependent copyright industries – exports and imports by economic activity, 2014**






Source: estimates based on SENAE and SRI information

Likewise, it is worth analyzing the imports of electrical appliances. In 2014, they accounted for 37 per cent of total imports of this industry, increasing by 100 per cent between 2010 and 2014. The economic activities related to the import of computers experienced a similar growth rate (103 per cent) during the same period.

## 4.5 Partial copyright industries

The activities of the partial copyright industries are diverse; their production processes are partially or moderately influenced by creative processes. Additionally, partial copyright industries are the link between arts and industry, which makes them an essential component when formulating long-term strategies to increase production.

### *Value-Added*

Partial copyright industries experienced a growth in aggregate value-added (60 per cent) during the relevant period, reaching 536 million US dollars in 2014.

**Table 4-15: Real gross value-added in partial copyright industries, 2010-2014 (in thousand 2007 USD – constant terms)**

| Sector | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | | Growth 2010-2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | % | USD | % | USD | % | USD | % | USD | % | % |
| Architecture, engineering and surveying | 99,945 | 29.80% | 111,370 | 29.70% | 122,067 | 29.70% | 226,261 | 45.20% | 259,955 | 48.50% | 160% |
| Interior design | 819 | 0.20% | 1,142 | 0.30% | 1,437 | 0.30% | 657 | 0.10% | 773 | 0.10% | -6% |
| Household goods. china and glass | 52,679 | 15.70% | 50,813 | 13.60% | 49,312 | 12.00% | 54,492 | 10.90% | 57,641 | 10.70% | 9% |
| Jewelry and coins | 60,776 | 18.10% | 63,673 | 17.00% | 66,511 | 16.20% | 50,068 | 10.00% | 40,091 | 7.50% | -34% |
| Toys and games | 10,532 | 3.10% | 17,186 | 4.60% | 23,245 | 5.70% | 23,662 | 4.70% | 24,757 | 4.60% | 135% |
| Furniture | 35,970 | 10.70% | 41,725 | 11.10% | 47,062 | 11.50% | 48,233 | 9.60% | 49,223 | 9.20% | 37% |
| Museums | 915 | 0.30% | 890 | 0.20% | 871 | 0.20% | 883 | 0.20% | 892 | 0.20% | -3% |
| Other crafts | 28,370 | 8.50% | 30,990 | 8.30% | 33,463 | 8.10% | 37,877 | 7.60% | 41,280 | 7.70% | 46% |
| Wall coverings and carpet | 8,624 | 2.60% | 13,374 | 3.60% | 17,703 | 4.30% | 8,171 | 1.60% | 10,971 | 2.00% | 27% |
| Apparel, textiles and footwear | 37,086 | 11.00% | 43,349 | 11.60% | 49,150 | 12.00% | 49,848 | 10.00% | 50,875 | 9.50% | 37% |
| **TOTAL** | **335,714** | **100.00%** | **374,512** | **100.00%** | **410,821** | **100.00%** | **500,153** | **100.00%** | **536,457** | **100.00%** | **60%** |

Source: estimates based on INEC, BCE and SRI information

Architecture, engineering and surveying-related economic activities stand out among the partial copyright industries, not only because of their rate of growth during the study period (160 per cent), but also because of their share of the value-added of partial copyright industries (48.5 per cent of total value-added). The intensive construction in the country explains this dynamic performance.

Within the partial copyright industries, some economic activities are of special interest for developing creative industries. These are the link between the purely creative activities and economic sectors with a significant industrial component. The following economic activities experienced higher growth rates during the relevant period: clothing, textiles and footwear (37 per cent), other crafts (46 per cent), furniture (37 per cent), toys and games (135 per cent), household goods, china and glass (9 per cent). These five economic activities accounted for nearly 45 per cent of the total value-added of partial CIs in 2014. Similarly, they have been identified by the contemporary economic literature as growing sectors with interesting economic potential.

In contrast, value-added dropped for some activities. The most salient one is jewelry and coins, whose relative share decreased from 18 per cent to 7.5 per cent of the total value-added of partial copyright industries. This means a decline of 34 per cent in constant terms (2007 US dollars).

Similarly, the value-added of interior design (6 per cent) and museums (3 per cent) declined in 2010 and 2014; however, they carry less weight in the value-added figures for this category.

### *Foreign Trade*

As with other industrial categories, the foreign trade balance in this category is negative and its deficit increased by about 44 per cent between 2010 and 2014.

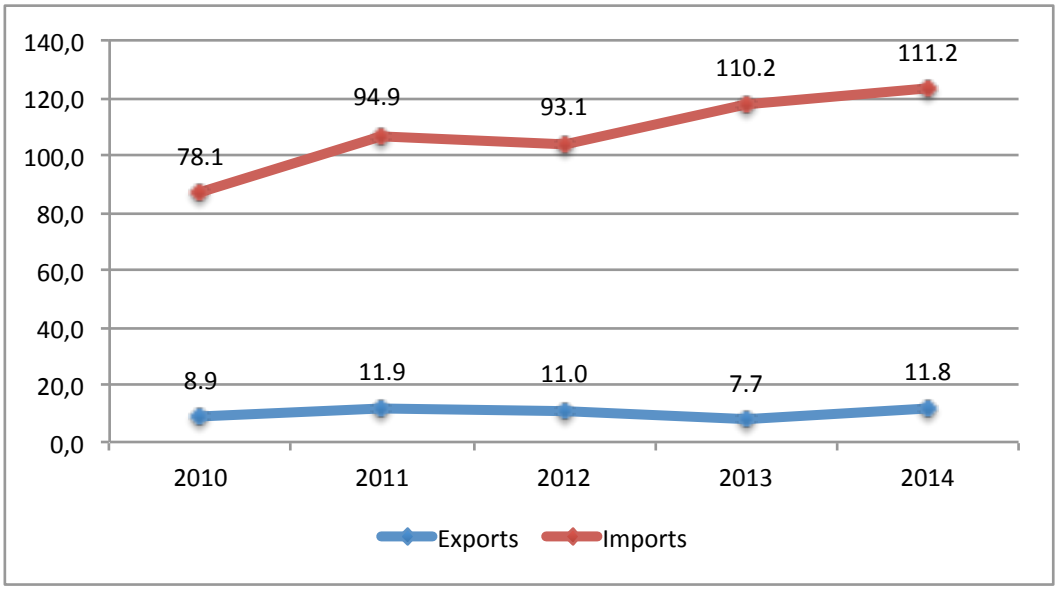
**Table 4-16: Foreign trade in partial copyright industries (million 2007 USD –constant terms)**

| SECTOR | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | X | M | TB | X | M | TB | X | M | TB | X | M | TB | X | M | TB |
| Architecture, Engineering and Surveying | 1.3 | 14.8 | -13.5 | 4.3 | 25.7 | -21.5 | 4.3 | 25.0 | -20.7 | 1.2 | 40.0 | -38.8 | 5.1 | 46.3 | -41.2 |
| Interior Design | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | -0.1 | 0.0 | 0.1 | -0.1 | 0.0 | 0.1 | -0.1 |
| Household Goods, China and Glass | 1.0 | 9.1 | -8.1 | 1.0 | 13.9 | -13.0 | 1.2 | 13.7 | -12.4 | 1.1 | 13.4 | -12.3 | 1.3 | 11.7 | -10.3 |
| Jewelry and Coins | 0.4 | 5.5 | -5.1 | 0.7 | 6.4 | -5.7 | 0.8 | 6.6 | -5.8 | 1.1 | 7.0 | -5.9 | 1.0 | 7.3 | -6.3 |
| Toys and Games | 0.4 | 3.3 | -2.9 | 0.4 | 3.6 | -3.2 | 0.4 | 3.9 | -3.5 | 0.5 | 4.1 | -3.7 | 0.5 | 3.3 | -2.8 |
| Furniture | 0.3 | 8.2 | -7.9 | 0.5 | 13.2 | -12.7 | 0.6 | 13.2 | -12.6 | 0.6 | 13.1 | -12.5 | 0.6 | 11.6 | -11.0 |
| Other Crafts | 0.1 | 3.8 | -3.7 | 0.2 | 7.7 | -7.5 | 0.2 | 7.7 | -7.5 | 0.2 | 7.8 | -7.6 | 0.2 | 6.6 | -6.3 |
| Wall Coverings and Carpeting | 0.7 | 6.7 | -6.0 | 0.6 | 5.1 | -4.5 | 0.6 | 4.2 | -3.5 | 0.4 | 4.7 | -4.3 | 0.4 | 5.8 | -5.3 |
| Apparel, Textiles and Footwear | 4.7 | 26.6 | -22.0 | 4.4 | 19.1 | -14.8 | 2.8 | 18.9 | -16.1 | 2.7 | 20.0 | -17.3 | 2.6 | 18.7 | -16.1 |
| PARTIAL | 8.9 | 78.1 | -69.2 | 11.9 | 94.9 | -83.0 | 11.0 | 93.1 | -82.1 | 7.7 | 110.2 | -102.5 | 11.8 | 111.2 | -99.4 |

X: Exports
M: Imports
TB: Trade Balance
Source: estimates based on SENA and SRI information

Performance in this category was mainly influenced by trends in the architecture, engineering and surveying-related services sector. The negative trade balance rose to 200 per cent between 2010 and 2014.

**Figure 4-14: Foreign trade trends in partial copyright industries, 2010-2014**

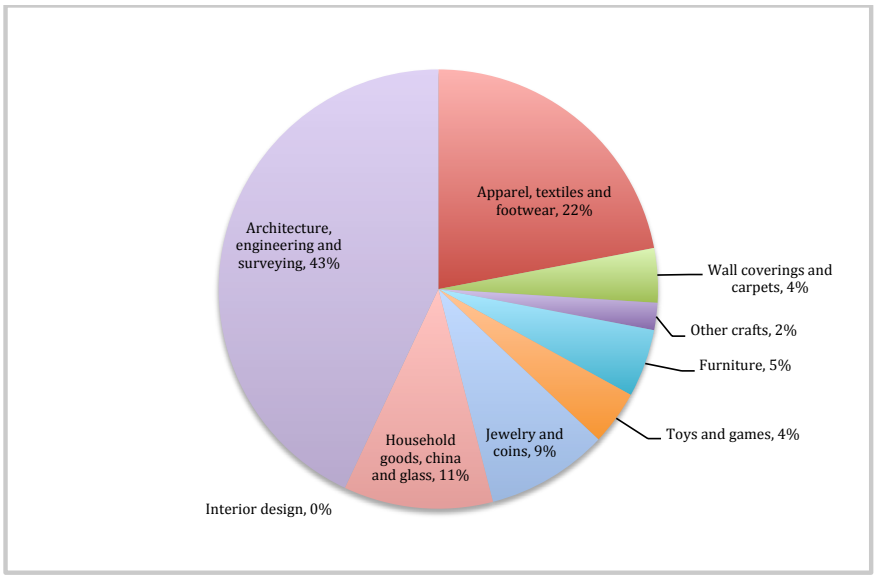



Almost all economic activities in these industries showed an increasing trade deficit, particularly apparel, textiles and footwear, whose deficit rose by almost one third over a period of 4 years. This trend is better explained by a decline in exports, reflecting a considerable slowdown in the industry.

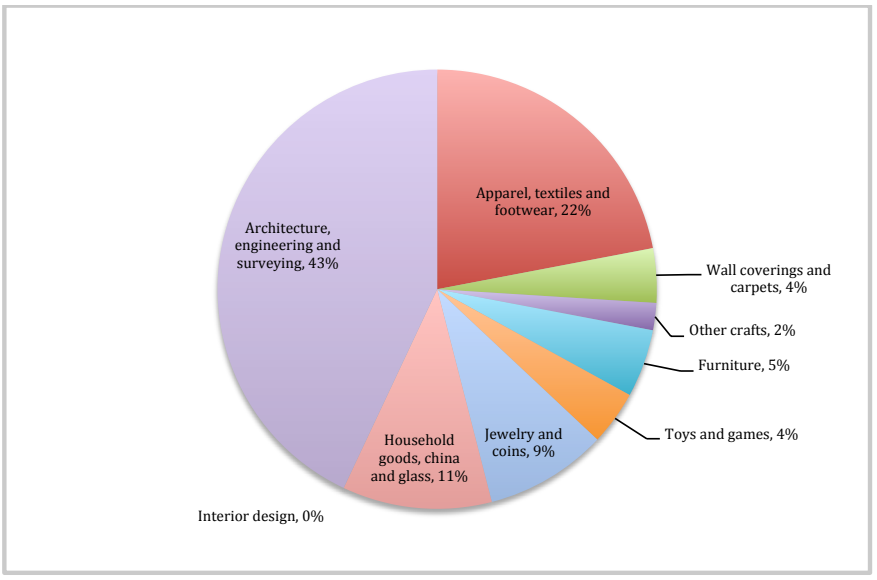
The most influential sector in 2014 was architecture, with 43 per cent of exports and 42 per cent of imports. Trends in this sector are of particular interest, as it grows on both sides of the trade balance, reaching close to 200 per cent for both aggregates. This shows the importance of the construction industry during the relevant period. This is unlike the second largest sector, apparel, textiles and footwear, which declined on both sides of the trade balance: exports fell by 44 per cent and imports by 30 per cent.

**Figure 4-15: Exports and imports by sector, partial copyright industries, 2014**

**(a) Exports**




**(b) Imports**




Source: estimates based on SENAE and SRI information

### *Employment*

Employment in partial copyright industries increased by about 8 per cent during the relevant period, generating over 52,000 jobs.

**Table 4-17: Employment in partial copyright industries, 2010-2014 (no. of persons)**

| Sector | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Architecture, Engineering and Surveying | 5,966 | 5,144 | 4,655 | 4,719 | 8,128 |
| Interior Design | 765 | 660 | 597 | 756 | 367 |
| Household Goods, China and Glass | 5,603 | 5,692 | 5,462 | 5,667 | 5,045 |
| Jewelry and Coins | 8,937 | 7,028 | 8,396 | 8,798 | 8,508 |
| Toys and Games | 2,193 | 2,022 | 1,860 | 2,459 | 3,012 |
| Furniture | 7,679 | 7,187 | 7,451 | 7,822 | 7,748 |
| Museums | 147 | 1,463 | 1,075 | 370 | 969 |
| Other Crafts | 3,666 | 3,782 | 3,352 | 3,729 | 3,356 |
| Wall Coverings and Carpeting | 844 | 754 | 699 | 553 | 629 |
| Apparel, Textiles and Footwear | 12,180 | 12,863 | 13,505 | 14,426 | 14,273 |
| **PARTIAL TOTAL** | **47,980** | **46,596** | **47,052** | **49,298** | **52,035** |

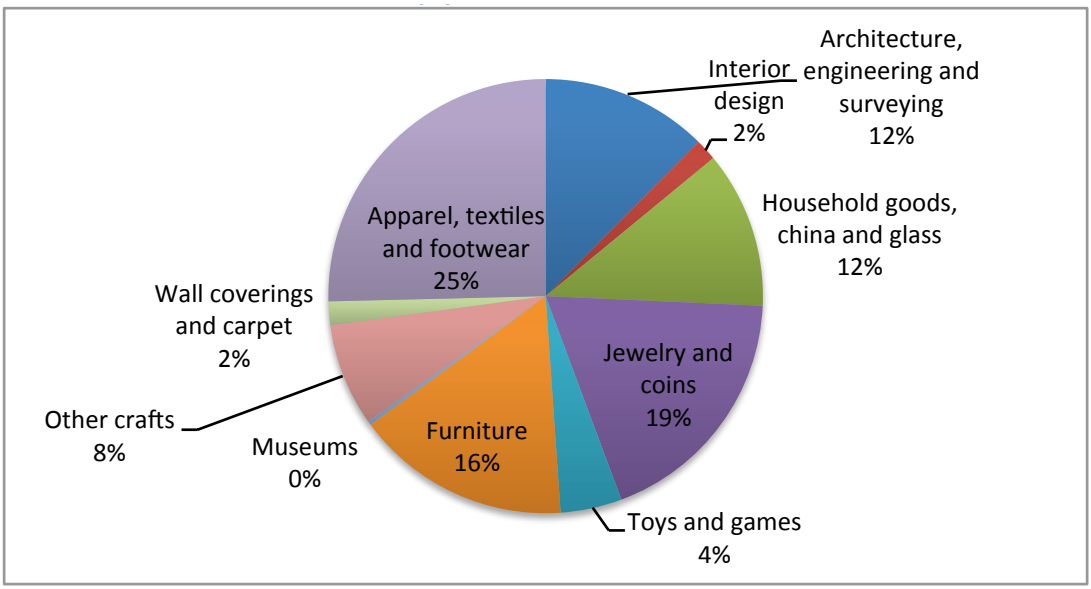
Source: estimates based on INEC and BCE information

The main drivers of growth are museums (517 per cent); toys and games (37 per cent); and architecture, engineering and surveying (36 per cent), all of which stand out for their significant contributions to trends in the industry.

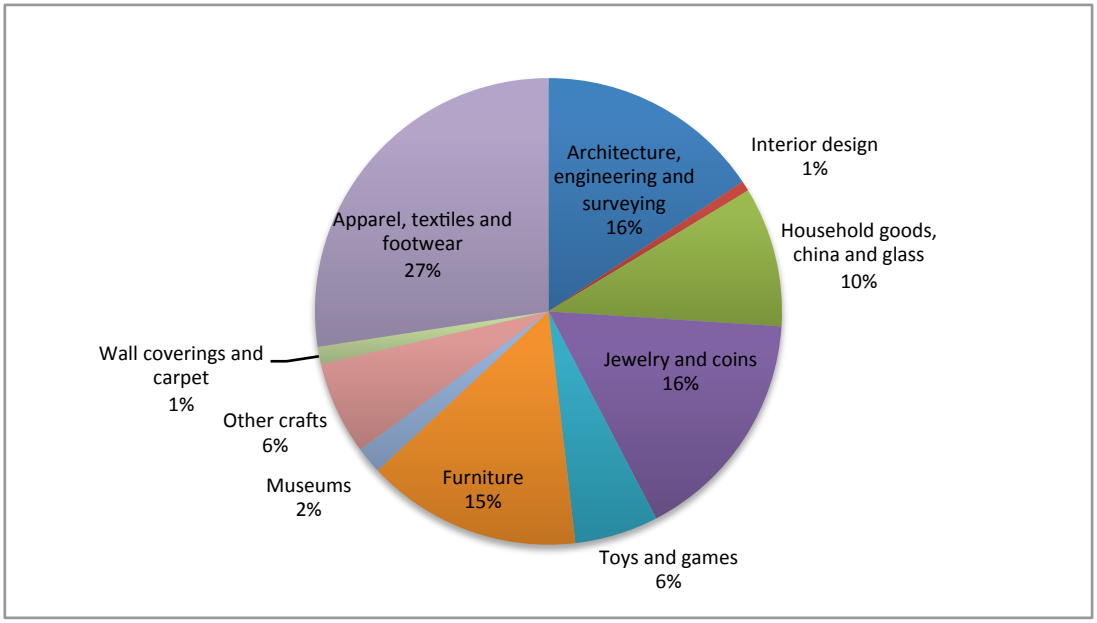
The partial CIs that created the most jobs in 2014 are footwear (27.3 per cent), architecture, engineering and surveying (16 per cent), jewelry (16 per cent) and furniture (15 per cent).

**Figure 4-16: Employment by economic activity – partial copyright industries, 2010 and 2014**

**(a) 2010**



**(b) 2014**




Source: based on INEC and BCE information

## 4.6 Non-dedicated support industries

Non-dedicated support industries are part of the services sector whose activities correspond mainly to commerce, transport and communications infrastructure. They offer fundamental support to activities of CIs and are usually high-value-added sectors. They play a key role in maintaining and promoting creative activities subject to copyright. It is therefore important to determine their contribution as it would otherwise be impossible to develop or disseminate these activities. Their assessment requires careful analysis for several reasons. For instance, the level of atomicity of these sectors (commerce and transport) and the industrial reserve (telephone and Internet) make it difficult to isolate the corresponding CI contribution from their general economic activities.

### *Value-Added*

Value-added in non-dedicated support industries grew rapidly between 2010 and 2012, from 212 million US dollars to 282 million US dollars (2007 dollars), and then decreased to 217 million US dollars, which represents an overall slight increase of 2 per cent during the relevant period.

**Table 4-18: Real GVA in non-dedicated support industries (thousand 2007 USD – constant terms)**

| SECTOR | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | % | USD | % | USD | % | USD | % | USD | % |
| General Wholesale and Retailing | 175,758 | 82.60% | 208,125 | 83.60% | 238,043 | 84.20% | 215,570 | 79.20% | 162,370 | 74.60% |
| General Transportation | 29,039 | 13.70% | 32,393 | 13.00% | 35,532 | 12.60% | 41,249 | 15.20% | 41,265 | 19.00% |
| Telephony and Internet | 7,894 | 3.70% | 8,504 | 3.40% | 9,085 | 3.20% | 15,240 | 5.60% | 13,875 | 6.40% |
| TOTAL | 212,691 | 100.00% | 249,022 | 100.00% | 282,660 | 100.00% | 272,059 | 100.00% | 217,510 | 100.00% |

Source: estimates based on INEC, BCE and SRI information

There are opposing trends in gross value-added among support industries. On the one hand, sectors related to infrastructure (telephony and Internet and general transportation) show significant growth. On the other

hand, the commercial sector lost gross value-added. These trends clarify the overall growth in support industries and provide pointers as to the determinants of growth of the Ecuadorian economy during the relevant period.

### *Employment*

Employment in non-dedicated support industries grew by 9 per cent during the relevant period. General wholesale and retailing (10 per cent) and general transportation (14 per cent) were the main drivers of employment. Conversely, employment in telephony and Internet fell by 8 per cent.

**Table 4-19: Employment in non-dedicated support industries, 2010-2014 (no. of persons)**

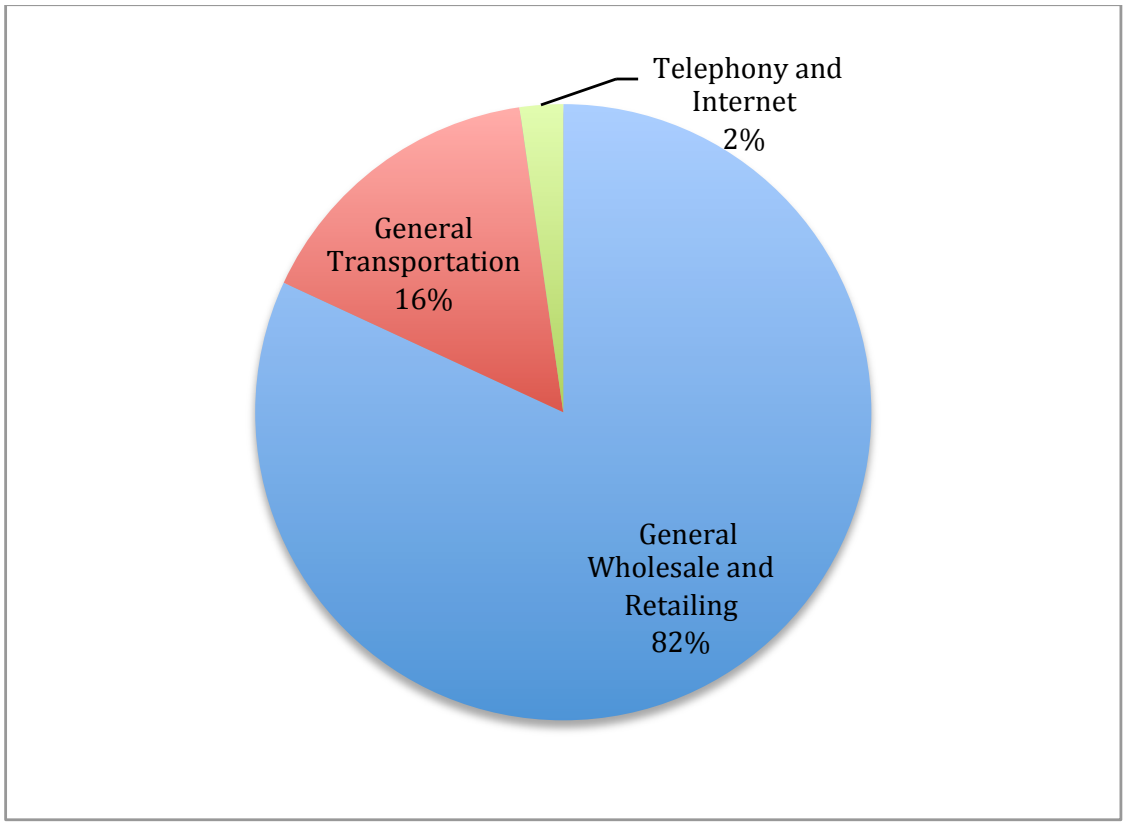
| Sector | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| General Wholesale and Retailing | 26,048 | 24,914 | 25,660 | 27,701 | 28,543 |
| General Transportation | 5,030 | 5,720 | 5,497 | 5,189 | 5,749 |
| Telephony and Internet | 724 | 457 | 496 | 532 | 522 |
| **TOTAL SUPPORT** | **31,802** | **31,091** | **31,653** | **33,421** | **34,814** |

Source: based on INEC and BCE information

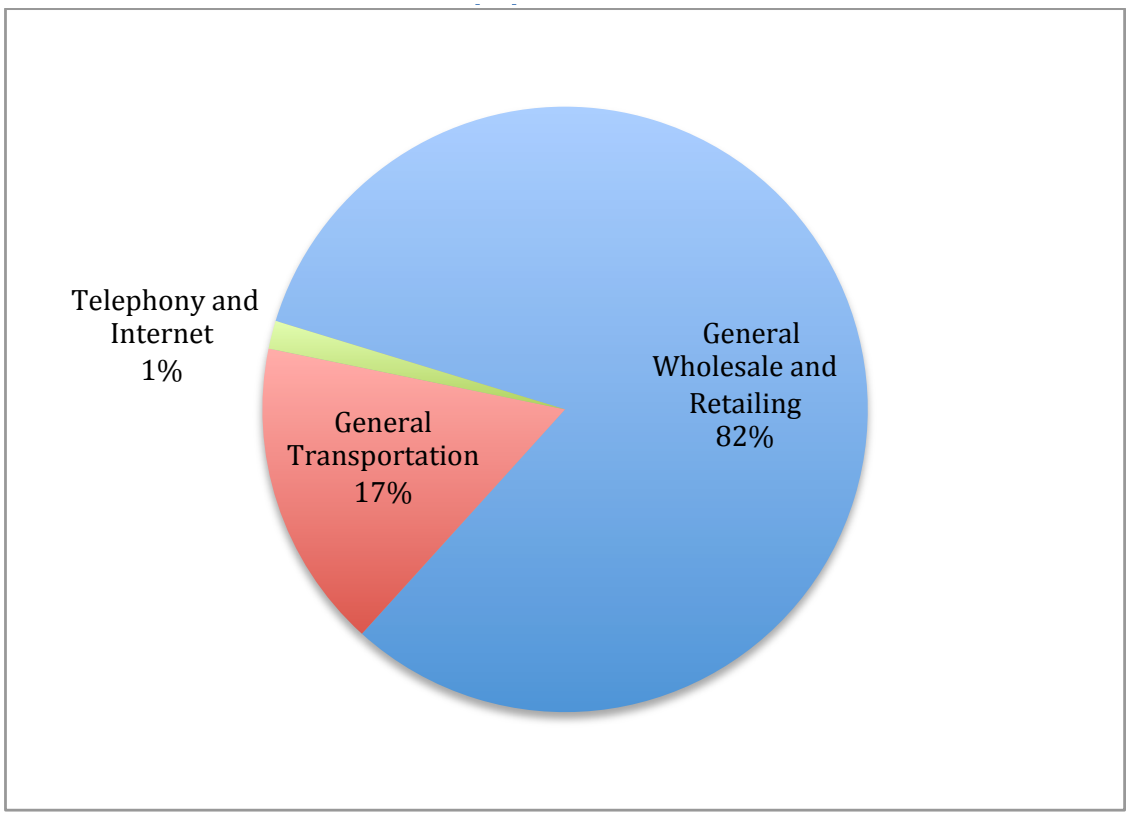
The general wholesale and retailing sector is the largest employer, with a relative rate of 82 per cent in these industries. This shows the importance of commercial activities, such as sales of goods and services and purchases of supplies, to the productive activities of CIs.

**Figure 4-17: Employment by economic activity, non-dedicated support industries, 2010 and 2014**

**(a) 2010**



**(b) 2014**




Source: based on INEC and BCE information

Similarly, general transportation contributes 14 per cent to 16 per cent of total jobs generated, as a result of its importance in the logistical processes of CIs. Finally, telephony and Internet contribute marginally to employment, which is very interesting if compared with their significant contribution in terms of value-added. This shows that telephony and Internet is a technology sector with high levels of productivity.

**Table 4-20: Foreign trade in non-dedicated support industries (million 2007 USD – current terms)**

| SECTOR | 2010 | | | 2011 | | | 2012 | | | 2013 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | X | M | TB | X | M | TB | X | M | TB | X | M | TB | X | M | TB |
| General Wholesale and Retailing | 4.6 | 59.6 | -55.0 | 5.6 | 77.4 | -71.8 | 5.6 | 81.0 | -75.4 | 4.5 | 90.8 | -86.3 | 5.0 | 77.3 | -72.3 |
| General Transportation | 4.8 | 0.8 | 4.0 | 6.7 | 1.3 | 5.4 | 5.6 | 1.0 | 4.6 | 4.4 | 1.3 | 3.1 | 4.0 | 0.9 | 3.1 |
| Telephony and Internet | 1.5 | 2.9 | -1.5 | 1.6 | 2.4 | -0.8 | 1.3 | 2.1 | -0.8 | 1.2 | 2.1 | -0.9 | 1.0 | 2.1 | -1.1 |
| **TOTAL SUPPORT** | **10.8** | **63.4** | **-52.5** | **13.9** | **81.1** | **-67.2** | **12.5** | **84.0** | **-71.6** | **10.1** | **94.1** | **-84.1** | **10.0** | **80.3** | **-70.3** |

Source: estimates based on information from SENA and SRI

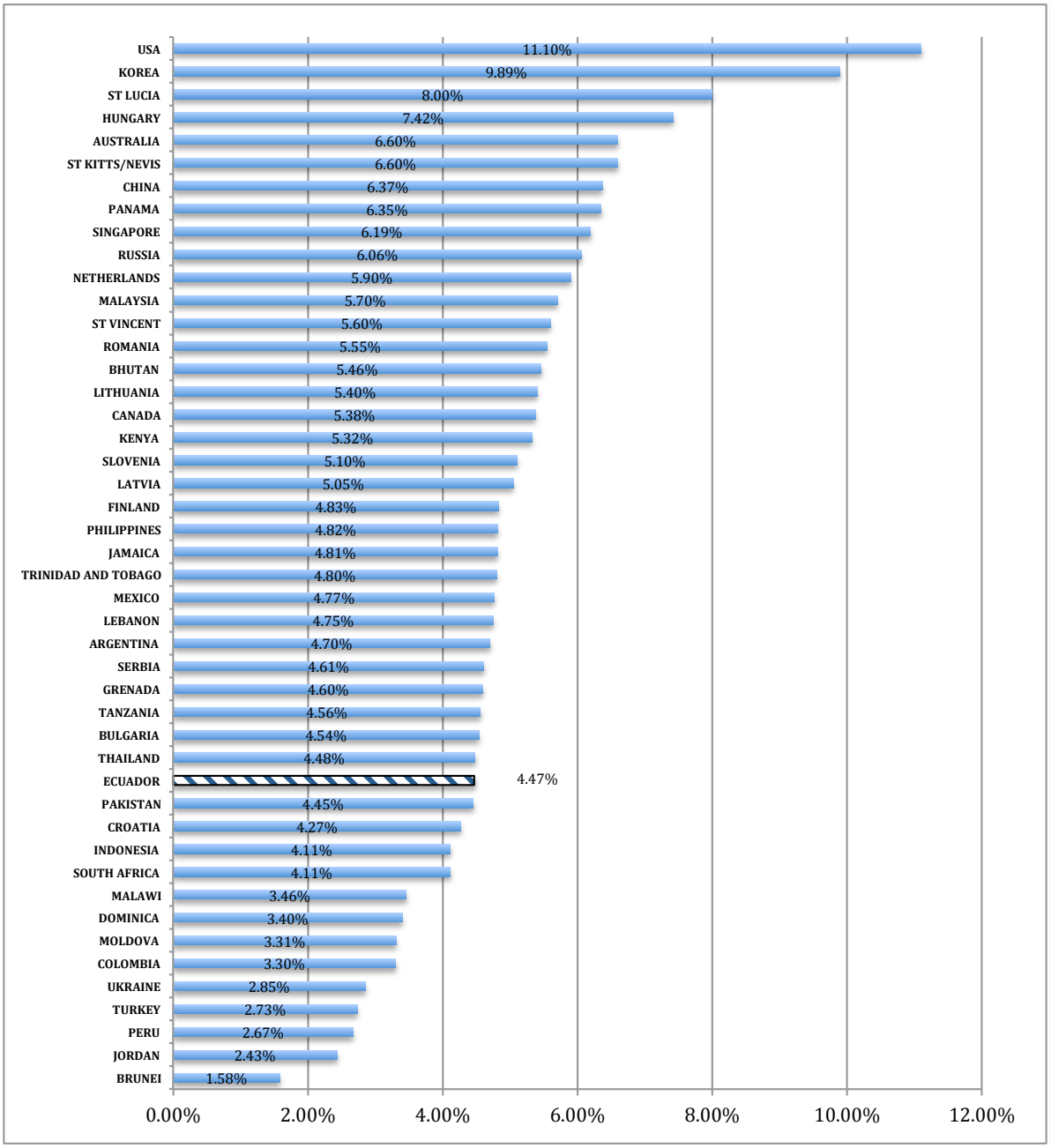
The exports of non-dedicated support industries fell slightly during the relevant period, losing 7 per cent (10 million US dollars). On the contrary, imports, six to eight times the volume of exports, increased by 27 per cent. Clearly, this resulted in an increase in the trade deficit of non-dedicated support industries (by 34 per cent).

This trend shows the dependence of a small country like Ecuador in a globalized world that depends on value, infrastructure and logistical chains. These are key elements in the performance of creative industries. Therefore, it is important to consider how to promote these industries to support the development of CIs.

## 4.7 Comparative analysis with the rest of the world

A cross-country comparison can be performed using the estimated results obtained for the Ecuadorian economy. The global average contribution of copyright industries in terms of gross value-added to national production, measured by GDP, is 5.16 per cent. At the same time, the value-added for CIs is 4.44 per cent on average for Latin American economies. Ecuadorian CIs contributed 4.47 per cent to the country's global economy, placing it slightly higher than the Latin American average.

**Figure 4-18: Contribution of CIs to GDP: international comparison**




Source: WIPO and estimates

As in other countries, the core copyright industries are the most representative category of CIs in Ecuador. They account for slightly more than 50 per cent of the total and contribute 2.54 per cent of value-added relative to GDP, again slightly higher than the Latin American average.

**Table 4-21: Contribution of CIs to GDP – regional comparison**

| COUNTRY | YEAR | REGION | CIs VA/ GDP | VA Core/ GDP | VA Interdep./ GDP | VA Partial/ GDP | VA Support/ GDP |
|---|---|---|---|---|---|---|---|
| ARGENTINA | 2013 | LATIN AMERICA | 4.70% | 3.30% | 0.60% | 0.20% | 0.60% |
| COLOMBIA | 2008 | LATIN AMERICA | 3.30% | 1.90% | 0.80% | 0.30% | 0.40% |
| ECUADOR | 2014 | LATIN AMERICA | 4.47% | 2.54% | 0.84% | 0.77% | 0.31% |
| JAMAICA | 2007 | LATIN AMERICA | 4.81% | 1.70% | 0.74% | 0.47% | 1.90% |
| PANAMA | 2009 | LATIN AMERICA | 6.35% | 5.40% | 0.06% | 0.05% | 0.84% |
| PERU | 2009 | LATIN AMERICA | 2.67% | 1.23% | 0.28% | 0.02% | 1.14% |
| TRINIDAD & TOBAGO | 2011 | LATIN AMERICA | 4.80% | 1.41% | 0.13% | 0.97% | 2.28% |
| USA * | 2013 | NORTH AMERICA | 11.44% | 6.71% | 2.24% | 0.24% | 2.29% |
| CANADA | 2004 | NORTH AMERICA | 5.38% | 3.99% | 0.90% | 0.11% | 0.38% |
| MEXICO | 2006 | NORTH AMERICA | 4.77% | 1.55% | 1.69% | 0.85% | 0.68% |
| AVERAGES | | LATIN AMERICA | 4.44% | 2.50% | 0.49% | 0.40% | 1.07% |
| | | NORTH AMERICA | 7.20% | 4.08% | 1.61% | 0.40% | 1.12% |
| | | WORLD | 5.16% | 2.77% | 0.96% | 0.58% | 0.85% |

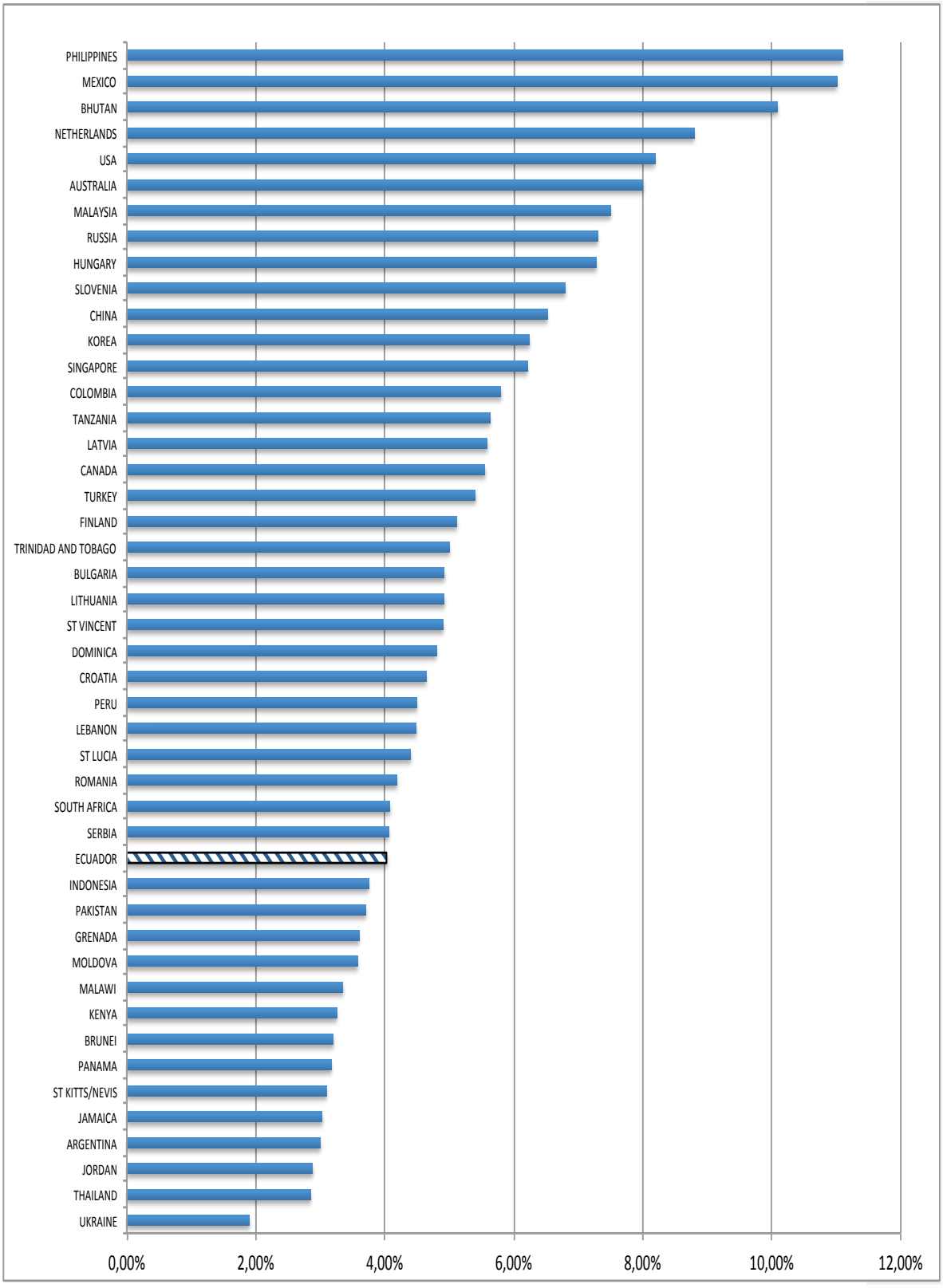
Source: WIPO and estimates

Interdependent copyright industries (0.84 per cent of GDP in 2014) account for 19 per cent of the CI value-added generated by CIs in the Ecuadorian economy. This contribution is higher than the average contribution of interdependent industries in Latin America (11 per cent), but similar to the global average (18 per cent).

In 2014, the relative weight of partial copyright industries within Ecuador's CIs (17 per cent) was higher than for the rest of the world (11 per cent) and the Latin American average (9 per cent). These data can be compared with the contribution of this category of industries in Mexico (0.85 per cent of GDP).

Finally, non-dedicated support industries account for 17 per cent of the value-added generated by CIs, similar to the global average (16 per cent). Interestingly enough, industries of this type face a growth challenge in terms of expanding their national and international markets, but the challenge is stiffest for digital markets.

**Figure 4-19: Contribution of CIs to employment – international comparison**




Source: WIPO and authors' estimates

**Table 4-22: Contribution of CIs to employment – regional comparison**

| COUNTRY | YEAR | CIs/Total | Core/Total | Interdependent/ Total | Partial/Total | Support/Total |
|---|---|---|---|---|---|---|
| MEXICO | 2006 | 11.01% | 3.41% | 3.65% | 2.53% | 1.41% |
| USA | 2013 | 8.26% | 4.03% | 2.17% | 0.26% | 2.03% |
| COLOMBIA | 2008 | 5.80% | 1.70% | 0.70% | 1.90% | 1.50% |
| CANADA | 2004 | 5.55% | 4.00% | 0.91% | 0.16% | 0.33% |
| TRINIDAD & TOBAGO | 2011 | 5.00% | 2.67% | 1.73% | 0.20% | 0.41% |
| PERU | 2009 | 4.50% | 2.09% | 0.14% | 0.07% | 2.20% |
| ECUADOR | 2014 | 4.03% | 3.68% | 3.72% | 3.60% | 3.47% |
| PANAMA | 2009 | 3.17% | 1.52% | 1.20% | 0.31% | 0.13% |
| JAMAICA | 2007 | 3.03% | 1.79% | 0.31% | 0.23% | 0.68% |
| ARGENTINA | 2013 | 3.00% | 2.00% | 0.30% | 0.50% | 0.20% |
| LATIN AMERICA | | 5.07% | 2.17% | 1.15% | 0.82% | 0.93% |
| SOUTH AMERICA | | 4.43% | 1.93% | 0.38% | 0.82% | 1.30% |
| WORLD | | 5.36% | 2.72% | 0.93% | 0.86% | 0.85% |

Source: WIPO and authors' estimates

Employment averages tell a different story. Ecuador is well below international averages, with 4.03 per cent of employment generated by Ecuadorian CIs, as against 5.07 per cent in Latin America, 4.43 per cent in South America and 5.36 per cent globally. Several challenges in terms of labor statistics and misreporting need to be addressed. The observed gap may be due to misclassification in the Ecuadorian statistical system since, for example, artists can be classified as artisans instead of being placed in a specific category. Accordingly, this could reveal a problem of lack of professionalization in activities related to copyright, especially in regard to creative arts.

# 5. CURRENT CHALLENGES OF COPYRIGHT INDUSTRIES

## 5.1 The cinema industry

In many regards, the Ecuadorian cinema industry is considered one of the leading industries in the cultural sector. Although cinema in Ecuador does not have a long history or international recognition, it was the first cultural industry to have a specific law, through which the Ecuadorian Film Council and the National Film Fund were created. The law was passed after a highly unusual process of social organization, started by professional associations during the 1980s. Nowadays, cinema is the cultural sector with the largest number of professional associations, as evidenced by the creation of a film policy discussion platform two years ago by eight professional associations from different areas. In sum, 11 associations are currently active, even though not all are legally registered.[20]

Ecuadorian cinema had its largest number of releases in 2014. Sixteen Ecuadorian films and 103 films distributed by major studios were screened in commercial theaters that year. The overall number of cinemagoers has increased and, in 2015, 16 million tickets were sold in the country, generating 76 million US dollars in box-office revenue.

### *Film production*

As from the creation of the Ecuadorian Film Council in 2007, 57 Ecuadorian films had been distributed in commercial theaters by 2015, 65 per cent of them supported by the Ecuadorian Film Fund or directly financed by the Ministry of Culture at various stages.

**Table 5-1: Commercially released films per genre**

| YEAR | DOCUMENTARY FILMS | FEATURE FILMS | TOTAL |
|---|---|---|---|
| 2007 | 1 | 1 | 2 |
| 2008 | 1 | 2 | 3 |
| 2009 | 1 | 4 | 5 |
| 2010 | 1 | 2 | 3 |
| 2011 | 1 | 3 | 4 |
| 2012 | 1 | 5 | 6 |
| 2013 | 3 | 10 | 13 |
| 2014 | 5 | 11 | 16 |
| 2015 | 2 | 3 | 5 |
| **AVERAGE** | **1.78** | **4.56** | **6.33** |

Source: CNCine

The number of releases per year has grown every year, most significantly between 2012 (six releases) and 2013 (13 releases). The highest number of Ecuadorian film releases was in 2014 (16).

Of the films produced since 2007, 39.7 per cent have been made by legally established and stable production companies that have film production as their core business. The production units responsible for the production of the other 60.3 per cent of films released during this period were legally registered as temporary partnerships, created especially for one single project. Some films were made under the legal responsibility of companies with a different commercial activity as their core business (most produce mainly advertising; a few are related to educational services and film exhibitions), or produced under the tax registration of an individual, usually the producer or the director (depending on the rightholders' package). Only six companies

[20] Association of Ecuadorian Producers (COPAE), Association of Indigenous Producers (CORPANP), Association of Actors (Uniactores), Association of Guayaquil Filmmakers, Association of Ecuadorian Animators, Documentarians' Association of Ecuadorian Documentary Filmmakers, Association of Guerrilla Filmmakers, Association of Photographers and Technicians, Association of Independent Distributors, Association of Independent Community Producers and Association of Directors and Screenwriters.

released more than one film during this period and only two of them have released 3 films since 2007. Most of this information does not come from official sources; it has been gleaned from the collection of statistics from primary sources.

In film production, labor is hired mostly for professional temporary services; it is composed of creativity-based activities and requires highly qualified technicians who traditionally do not hold long term contracts if they work as freelancers, or appear in accounting details as service providers if they have established a long-term company to provide services. In this light, it is important to note that the data obtained for labor in the film industry might be an underestimate, as it mainly concerns permanent or long-term hiring. An average of 4,614 employees was engaged in film-related labor. The highest year of film production was 2013, with a total of 6,736 employees.

According to research on 28 films produced (and released) between 2009 and 2014, the average cost of Ecuadorian films is around 320,000 US dollars, the minimum budget is 36,500 US dollars and the largest budget registered is 800,000 US dollars. The National Film Fund has supported 65 per cent of the films released since 2007 and the funding obtained by every project has been 30 per cent of production costs on average. According to information provided by the National Film Council, only three of the films released after 2007 have a production origin other than Quito.

The lack of non-traditional commercial circuits for exhibitions means that some other films, besides the 58 films considered as official releases, were produced but not released to theaters.

In 2007, the average cost of a film was around 200,000 US dollars. Unlike most countries with a developing industry, the increase in costs is not due to the inclusion of talent or rights payments, but mostly because of the increase in the cost of logistics, technicians, equipment and services. Some costs, such as equipment rental, increased abruptly, by over 100 per cent between 2008 and 2011. The considerable increase in production costs is considered to be mostly related to national inflation and to the availability of public funding. Since 2014, some service costs have been adjusted, especially in "easily exportable services" such as post-production, because of the possibility of securing such services at reasonable prices, with more manageable logistics, more experienced talent and technicians in other Latin American countries, and also because of the inclusion of such services as part of co-production agreements.

The involvement of broadcasters in project funding was unusual until 2014, when a new law to regulate mass media was passed to promote investment by broadcasters in feature film projects at the development stage. The law states that a national broadcaster should invest 5 per cent of its total revenues in film production. However, the penalty for failing to do so is in some cases about 0.06 per cent of a broadcaster's stipulated investment quota, so most of them prefer to pay the penalty, and the expected investment in independent production has not materialized.

International funding has become increasingly relevant in the financial planning of films, especially through co-production, because this means producers share responsibilities and funding opportunities, creative decisions and international distribution. A total of 42 co-productions were legally recognized by the Film Council between 2008 and June 2016. According to data provided by the Film Council, 32.6 per cent of co-productions have been made with Colombian production companies, which means 14 projects in total. Agreements with Spain and Venezuela have accounted for 11.63 per cent of co-productions, and 6.98 per cent have been made with Mexico and Chile. Only eight films have been produced via a three-country co-production scheme and none have involved more than three countries. Some films have accessed public funding from other countries and many producers have made private agreements with international investors, such as service providers, that join a project as partners or co-producers. Most co-productions which have accessed funding from abroad have done so through the Ibermedia program and have been achieved with companies from other Latin-American countries, especially Mexico, Argentina and Colombia (increasingly). Only six productions (14.28 per cent) have involved co-producers from countries outside Ibero-America (France, Germany, Canada and Greece) and all of them have been funded by private means through equipment or services.

No bilateral co-production agreements have so far been signed with other countries; services are not competitive in the region because of the lack of a film tradition and high costs, and there is no taxation policy geared towards promoting international co-production or investment. Thus, although there have been co-productions, these have happened mostly when the original producer is from Ecuador. In 2014 and 2015, the

National Film Fund established a small (and therefore not competitive among others in the region) minority co-production fund. So far, only two films co-produced with Bolivia have received this support and none of them have been released so far.

There is a very particular and interesting increase in community audiovisual production, mainly oriented towards local television, but now embarking on major cinema productions. Official data are not available, but it is worth noting that products are widely released on DVD.

The total number of cinematic works registered with the IEPI rose to 112 productions from 2007 to 2014. Compared to the 57 releases registered by the Film Council from 2007 to 2015, this shows that the limited number of non-traditional commercial circuits for exhibition and the lack of official information on such circuits creates a wide gap between production and national supply.

Ecuadorian cinema is entering a crucial phase of growth and professionalization. Public funding has promoted film production and has allowed producers to use it as seed money to attract private and international partners to their projects. Data on cost structure or financing are not available from the Film Council, even though they have supported a large number of films. This makes the analysis more difficult, considering the diversity of productions.

### *Film distribution*

Ecuador's film distribution is a highly-concentrated oligopoly; five distribution companies manage 99 per cent of the distribution market.[21] In the past 10 years, El Rosado has been the leading distribution company; it managed 36.8 per cent of admissions in 2015. El Rosado also owns the biggest cinema chain in the country. Consorcio Fílmico and Zocal Films are intermediary companies that each manage close to 30 per cent of the market. Pacific (a division of Cinemark) and Venus represent films from studios that are not part of the biggest companies and both together have only about 5 per cent of the market.

In 2015, about 126 films were released, of which only five were Ecuadorian; five others were produced in other Latin American Countries and six were European.

The average budget for distribution and promotion of a film through the biggest distributors is 105,000 US dollars. About 40 per cent of the promotion is made through TV and digital marketing; billboards and printed promotional material consume around 20 per cent each. Budgets and creative artworks are determined by the major film studios' office abroad. The average budget for distribution of Ecuadorian films is around 12,000 US dollars and the biggest budget for distribution registered within the last 10 years was 60,000 US dollars. Until 2015, Ecuadorian films were not released through a distributor but by producers themselves, sometimes in partnership with marketing or advertising companies.

Even if three of these companies distribute films that are considered to be independent productions according to the majors' register of majors' box office, art-house films are rarely shown in commercial circuits and only in special screenings (such as the Oscar nominees week) or cinema festivals (like Quito T-muestra, organized by Multicines). Since the art-house exhibition circuit is very limited, no distribution companies would import art-house content until 2014, when two small, new independent films distributors entered the market, and the only permanent private art-house cinema funded a distribution project. Their distribution circuit is still small; only one of them made a very small release in a commercial cinema and information about consumption on small art-house cinema is not available.

### *Exhibition*

There are currently 287 commercial screens, distributed in 41 cinema complexes in 20 cities of the country. Quito and Guayaquil, the biggest cities, host 63.76 per cent of cinemas. In 2006, 148 screens were registered in only 9 cities, which means the number of screens has practically doubled in the country within the last 10 years.

[21] El Rosado (Buena Vista representative in Ecuador), Consorcio Fílmico (represents Universal International Pictures and offers a catalogue from BF Films Chile), Zocalo Films (Twentieth Century Fox), Venus Films (represents Lionsgate and offers films not represented by majors) and Pacific Movie Entertainment (acquires commercial films not represented by majors).

The exhibition market behaves like a typical oligopoly. Three companies related to international cinema chains manage 92.7 per cent of the screens; one of them (Supercines) is the owner of 60.6 per cent of the screens and is a division of El Rosado, the leading distribution company.

The total number of admissions and box office figures has increased by 71 per cent since 2009, reaching a record of 16 million admissions in 2015 and generating a total of 76 million dollars at the box office. The average admission price increased considerably in 2013, which meant a considerable drop in admissions and box office revenue. The number of weeks on screen per film has followed a downward trend and is now 6 weeks. Forty per cent of Ecuadorian releases have had over 6 weeks on screen.

**Table 5-2: Cinema market facts, 2009-2013**

| Year | Releases | Admissions | Box Office | Average admission price | Weeks on screen | Variation Admissions |
|---|---|---|---|---|---|---|
| 2009 | N/A | 9362350 | 31125061 | 3,32 | N/A | |
| 2010 | 105 | 8580581 | 33532057 | 3,91 | 7,88 | -8,35% |
| 2011 | 93 | 12347822 | 51521056 | 4,17 | 7,91 | 43,90% |
| 2012 | 93 | 13618630 | 58997806 | 4,33 | 7,85 | 10,29% |
| 2013 | 81 | 11076302 | 54620433 | 4,93 | 7,05 | -18,67% |
| 2014 | 103 | 12937209 | 62743418,9 | 4,85 | 6,60 | 16,80% |
| 2015 | 121 | 16003072 | 76089572,8 | 4,75 | 6,01 | 23,70% |

Source: Consorcio Fílmico

The average number of prints used for a release is 29.87. Big releases are made with around 40 prints and the biggest release was made using 81 prints (Furious 7). Ecuadorian films are currently released on 9 screens on average. In 2014, 16 Ecuadorian films together accounted for 0.65 per cent of the admissions reported that year and all of them were distributed by the producers.

As mentioned before, considering the big gap between registered productions (the cinematic work registered with the IEPI) and Ecuadorian releases in traditional commercial circuits, and considering the restricted access of the public to commercial cinema because of the limited number of cities that have screens, it is essential to develop a program to promote art-house cinema distribution and exhibition.

The National Film Council does not require or systematically process detailed information on budgets, and sales or sources of financing from the projects it supports, so official statistics in this area are limited. It is also a problem that the Film Council is not legally the institution responsible for the control of film exhibition, so box office revenue is not easy to calculate by official means and data on alternative exhibition circuits are not available.

### *Public support for cinema in Ecuador*

Since the foundation of the Film Council and the Film Fund following the passing of the Film Law in 2006, the audiovisual sector has seen considerable growth and professionalization. After the first year of specialized funding in 2007, the Film Fund conditions (amounts, categories, rules, etc.) have been changing constantly in order to adjust to the needs of the sector (response to the number of projects at different stages of production), to national cultural policy (affirmative action, decentralization, budget priorities among cultural programs) and because the law does not include any direct funding mechanism, which means that the Fund depends on political decisions.

Most professionals interviewed approve of the management of the Film Fund in terms of administration, selection mechanisms, etc., but criticize it for its prioritization of categories and bureaucratic processes; in general, they consider it to be well-managed. Conversely, there is a negative perception of programs run by the Film Council. Programs intended to promote research, encourage the consumption of national cinema, promote Ecuadorian films abroad and academic activities are considered to be beset by significant management and design difficulties. There is a general perception that decision-making on these programs was deeply flawed by the absence of technical analysis.

**Table 5-3: Ecuadorian Film Fund – projects and investment**

| Year | Number of submissions | Number of supported projects – accepted | Number of supported projects – contracts signed | Total amount assigned for funding (difference due to tax) | Total funding |
|---|---|---|---|---|---|
| 2007 | 116 | 44 | 44 | $1 026 500,00 | $1 026 500,00 |
| 2008 | 183 | 26 | 26 | $532 400,00 | $532 400,00 |
| 2009 | 194 | 33 | 33 | $545 000,00 | $545 000,00 |
| 2010 | 155 | 34 | 34 | $660 000,00 | $660 000,00 |
| 2011 | 180 | 45 | 45 | $700 000,00 | $700 000,00 |
| 2012 | 149 | 42 | 40 | $700 000,00 | $700 000,00 |
| 2013 | 334 | 38 | 38 | $1 012 480,00 | $904 000,00 |
| 2014 | 555 | 61 | 60 | $2 240 000,00 | $2 000 000,00 |
| 2015 | 361 | 67 | 65 | $1 627 849,05 | $1 453 436,65 |
| **TOTAL** | **2,227** | **387** | **385** | **$9,044,229.05** | **$8,521,336.65** |

Source: CNCine

The film Fund has supported 387 projects in different categories over the past 9 years, which means 17.28 per cent of the submitted films, for a total amount of 8.52 million US dollars. Funding was highest in 2014 (2 million US dollars), which was also the year in which commercial releases of films were highest (16 films). The fund had a yearly invitation for entries until 2013; in 2014 and 2015 there were two invitations and new categories were introduced, such as TV films and minority co-productions, in order to widen the fund's impact on the national audiovisual sector and internationally. Production-related funding (scriptwriting, development, post-production and promotion) has been the core business of the Film Fund, while categories like research and publishing, community production, distribution and academic programs have not always been available.

The National Film Fund supported different stages of production of 38 of the 57 films commercially released until 2015. The mean percentage received by every project is about 28 per cent of the film's total budget.

Another important source of funding for films produced in the country has been the Ibermedia program, which was created in 1989 by the Latin American Film Co-production Agreement to promote co-productions between producers from Iberoamerican countries. Ecuador has been active in the program since 2008 and 55 projects (including funds for development, production funding for projects with a signed co-production agreement, distribution and academic projects) have received nearly 2.5 million US dollars. Ibermedia is structured as a cooperation fund, so that countries with highly developed film industries invest more resources to cooperate in the development of growing industries. Ecuador has received an average of 221 per cent of the funds it has invested, receiving an incentive of about four times the original investment in the first two years. In 2013, Ecuador was one of the cooperating countries, which meant that the total amount of funding received that year was smaller than the amount of money invested.

A new law on cultural promotion and support is currently being debated, so many changes are expected. In 2016, funding was cancelled because of the economic crisis, although it might still be possible to secure the approval of very limited funds for the rest of the year.

## 5.2 The phonogram industry

Music creation has grown constantly since 2000, as confirmed by registration trends for copyright material in the IEPI, which has recorded an average growth rate of 15.2 per cent for musical work and 8.7 per cent for phonograms. However, the increase in gross value-added at all stages of the production chain has grown by less than 3 per cent on average per year. A study conducted by the Ministry of Culture in 2013 revealed that three key factors have limited the development of the musical industry in Ecuador:

(a) "Lack of specialization at different stages of the production chain, evidenced by the fact that creators (composers) work at other stages of the production chain as a strategy to compensate for the lack of registered businesses that coordinate the linking of musical works with the market."

(b) "Absence of companies specialized in managing the phonographic industry value chain with a clear market approach as part of their management culture."

(c) "Lack of awareness of copyright and related rights deriving from the creation, production and recording of phonograms."[22]

Currently there is a broad debate on musical consumption, mainly focusing on online consumption of music and free content. This has changed how the industry is managed worldwide and the issue of piracy in Ecuador has made the monetization of consumption an even bigger concern; revenue from direct consumption has become a big issue for the local musical industry, because the sale of content generates revenue allocated outside the musical industry.

### *Creation and production*

The first link in the value chain of production of phonograms is creation or composition. In 2014, a total of 664 musical works were registered with the IEPI,[23] 7.8 times the works registered in 2000. This shows the increase in the production of musical works and the establishment of the registration culture among musicians. According to qualified informants, this quantitative and qualitative leap in registration is due in part to the modernization of Copyright Collecting Societies, which are now a regular source of income for active musicians and have also assumed the role of unions, extending other benefits to their members.

Traditional professional associations are weak in the sector; FENARPE (National Federation of Professional Artists of Ecuador) is the only association of artists. In 2013, a total of 4,736 artists from all arts were registered in FENARPE, of whom around 55 per cent (2,600) were related to musical composition or performance. This lack of organization is related to the fact that CCS have had a very important and growing role in the sector. In 2015, SAYCE (Society of Authors and Composers of Ecuador) had 2,040 associates, SOPROFON (Phonographic Production Society) had 30 associates and SARIME (Society of Artists, Performers and Musicians of Ecuador) had 400. All societies have registered a significant increase in their income, especially within the last 5 years, after the inclusion of International Standard Recording Code (IRSC) tracking systems for the collection process.

In 2015, 5,385 composers, adapters and performers worked permanently in the musical industry in Ecuador, which is less than the number registered for 2010. Altogether, creators produced in 2014 a total of 17.6 million US dollars in gross value-added, with an average annual growth rate of 3 per cent.

Among Ecuadorian composers, musical managers and producers, there is a perception that there have been positive changes, including more efficient collection, transparency in management and also the provision by some CCS of services such as medical insurance for associates and their families.

In June 2016, Phonographic Production Society (SOPROFON) has 28 registered partners, of which 4 are founding partners. The producers receive their royalties according to the actual and effective use of their phonograms in the communication to the public of the phonogram. Collection management is done through a single-window agreement between SOPROFON and Society of artists, performers and musicians of Ecuador (SARIME), which facilitates users to pay for the use of phonograms and increases the collection efficiency that the management society must make.

Most composers and producers do not appear as such in the Internal Revenue Services (SRI), given that they have other means of income as their core business, so information on sales and incomes is hard to find. Similarly, there is no official information on associations, producers, technicians or support services. However, through interviews, it was discovered that about 15 recording studios are well-equipped; they have specialized technicians and can produce professional recordings of competitive quality. Eighty per cent of the studios are located in Quito or Guayaquil. Ecuadorian studios are increasingly working as service providers, in keeping with a global trend, recording instrumental interpretations for tracks assembled abroad by recording labels. Altogether, the labor for production and publishing stands at 483 persons. It is important

[22] "Diagnóstico y políticas para el desarrollo de la industria fonográfica ecuatoriana," Ministry of Culture, 2013, p. 100.
[23] IEPI.

to emphasize that most producers work informally and part-time and do not create specialized enterprises, so most of them work under a personal registration with the SRI.

Single-track production and release is a growing trend, given that it requires a much lower investment than producing an album and given the opportunities that new media offers for launching singles as part of promotion and fundraising campaigns for a complete album. The average cost of a single in a professional studio is 3,000 US dollars and costs range from 2,000 to 20,000 US dollars.

Few singers in Ecuador are considered potential international artists and most of them work with international production companies or record their tracks abroad, but do not work as represented artists. This means that the financing, assessment and management are not done by an international label but by their local managers, or even by themselves. Those whose albums have been commercially released record their tracks for approximately 10,000 US dollars. Financing for the production of new albums is increasingly linked to branding agreements, so artists that have larger public relations platforms have more opportunities to finance new tracks. Advertising fees finance around 80 per cent of singles production and sometimes recording labels (especially wholesalers) join the group of funding companies once other brands are attached to the project, after the performers have already become popular in Ecuador or are already promoted abroad. Recording labels (especially majors) no longer work as representatives of relatively well-known artists, but join the funding process of an album once other international brands join. Branding contracts also include monthly fees to support the artist's creative process.

Fifty-nine music-related companies were registered with the SRI in 2012, including producers, educational institutions, support services and distribution promoters. Their total sales per year have been very volatile since 2005 and by 2009 a growth trend could not be confirmed. Between 2005 and 2010, the gross value-added of production increased by 15 per cent, with an average increase of 3.4 per cent per year. By 2014, production activities totaled 1.9 million.

Management is considered one of the weakest links in the music production process in Ecuador and this activity tends to be confused with the work of a producer, so the failure of musicians to assess audience and analyze the market can severely hamper distribution. The CD-A format is produced in Ecuador only by two companies,[24] which have an installed capacity for producing 20,000 prints per day, and a large number of musicians and production companies make small print runs of their discs in CD-R format for sale directly during concerts and in independent stores.

### *Distribution and promotion*

"Ecuador faces a serious situation regarding piracy. According to information provided by IEPI based on research conducted with the Internal Revenue Services (SRI), 98 per cent of stores that sell phonograms are based on piracy and only 2 per cent handle formal distribution."[25] Statistical data show that the gross value-added in distribution accounted for about 31 million US dollars in 2014, which means that the 24 registered retailers of original music in physical media (CDs and even vinyl) manage only about 620,000 US dollars. Thus, the direct returns from sales are minimal in the musical industry. Research requested for the Ministry of Culture measures a "hidden market" worth around 221.55 million US dollars in illegal sales within the phonogram industry.[26]

According to musicians interviewed for this study, print runs larger than 5,000 US dollars, which are those produced professionally in the CD-A format and distributed widely in retail stores, are profitable only with a previous distribution agreement. Every year, over 60 disks are distributed along with newspapers and the most recognized artists have made deals with enterprises for wholesale pre-purchase combined with advertisement agreements or the whole print run.

Most producers make a small print run themselves, even if it means not having access to professional codecs to protect their works from piracy. Among middle-range producers, the direct sale of CDs to alternative stores, bars and concerts are the second largest source of income, sometimes related to the sale of merchandise.

Interviewed musicians, producers and managers argue that the main source of direct incomes nowadays is concert fees, which can be confirmed by examining the incomes of some renowned Ecuadorian musicians

[24] MAINDISK and CODISIS, which is an intermediary company for CDSYSTEM, a Colombian factory.
[25] "Diagnóstico y políticas para el desarrollo de la industria fonográfica ecuatoriana," Ministry of Culture, 2013, p. 152.
[26] "Diagnóstico y políticas para el desarrollo de la industria fonográfica ecuatoriana," Ministry of Culture, 2013, p. 154.

in the registry office. Middle-range artists bill between 2,000 and 9,000 US dollars per show, and in 2011, which was the highest year for concerts in Ecuador, an average of 650,000 US dollars were billed. Among companies involved in educational services, instrument imports and festival and show productions, the growth rate is higher than for production activities,[27] which also explains a growing interest in show business. This is a major change in the business model of the industry: a change in consumption patterns, bringing artists to their audiences. This is a highly significant development, harking back to historical forms of art consumption.

The other side of the coin is undoubtedly the new forms of consumption resulting from the digital revolution. The Internet has certainly changed music consumption patterns, but is still not a major distribution channel for Ecuadorian musicians. Most musicians do not work with intermediaries to distribute their work nationally or internationally, both because of lack of experience and lack of trust, so most Ecuadorian commercial music is offered on YouTube, Spotify, SoundCloud and iTunes by the producers themselves and not as part of bigger catalogues from editors or locators. Ecuadorian legislation does not allow for Internet valuation and payment, so when a band plans a successful distribution through the Internet, it manages the upload from other countries, especially Colombia. According to interviewed producers, those who have developed a bigger share of their business by using digital platforms have managed monetization on the Internet through agreements with companies in Colombia, the United States or Mexico; a couple of production companies that represent popular singers even opened an office in Colombia.

### *Consumption*

According to the Telecommunications Control Office, 1,170 radio stations and 515 TV stations were registered in 2012. Around 54 per cent of the music broadcast on national radio stations comes from the United States, Puerto Rico, Mexico and Colombia, and the rotation of Ecuadorian music accounts for only 9 per cent. The most popular genres on radio are pop and reggaeton; traditional Ecuadorian music is very popular on AM stations.

A survey of musical consumption habits in Quito and Guayaquil in 2012 showed that people aged between 16 and 50 years consume about 67.2 minutes of music every day. The most consumed music genres are ballads (73.6 per cent), salsa (59 per cent) and reggaeton (31 per cent) and the best-rated national artists are Juan Fernando Velasco (22 per cent), Gerardo Morán (20 per cent) and Julio Jaramillo (18 per cent).

The legal distribution of CDs has lost value worldwide in the past two decades because of digital consumption, but in Ecuador the use of CDs, including MP3 files that are the sources of "personal collections", are still an important consumption option. A global trend is replicated in Ecuador: the increased value of special CD formats. This form of consumption has driven the materialization of musical works, vesting them with new hoarding value. Data from the Ministry of Culture show that approximately 60 per cent of personal collections are still stored in CD format. Accordingly, the higher the income of collectors, the higher the percentage of digitized music they collect.

Similarly, 27 per cent of people buy one disk every 3 months and almost half of the interviewed persons[28] (46.5 per cent) do not ever buy original CDs. Only 16 per cent of the music consumed is legal. The main reason why people buy non-original CDs is that they can thus buy collections of songs by their favorite singers or groups or mixed titles by different artists; another reason is price. Among consumers, 58.5 per cent prefer buying original CDs of Ecuadorian musicians, firstly because of better sound quality, secondly to support national production and lastly because of the special design of the CD boxes and printed materials.

Internet access increased considerably after 2010, but 65.3 per cent of the population still did not have Internet access in 2015 (85.2 per cent in rural areas), so the consumption of Internet-based distribution is limited. According to a survey by the Ministry of Culture in urban areas, "46 per cent of people interviewed do not download free music from the Internet."[29]

### *Debate on the Ecuadorian musical industry*

Although music is one of the biggest cultural sectors in Ecuador, there has been almost no cultural policy to promote its production. There is no sustained production or distribution support and there is a total absence

[27] "Diagnóstico y políticas para el desarrollo de la industria fonográfica ecuatoriana," Ministry of Culture, 2013, p. 114.
[28] Survey by Datanalisis for the Ministry of Culture in 2012.
[29] "Diagnóstico y políticas para el desarrollo de la industria fonográfica ecuatoriana, Ministerio de Cultura," 2013, p. 147.

of incentives for producers to invest and formalize their activity. Most of the producers interviewed compare the situation to the growth of the musical industry in Colombia and hold that an important difference is the creation of tax incentives for private funding in musical production and the creation of viable programs to promote artists internationally.

A 2012 study for the Ministry of Culture argued that, within the sector, there is a clear perception that professionalization has played a primordial role in the development of several well-founded musical proposals. It can be clearly seen in the composing and the performing phases, and is a result of increased access to technology, specialization courses offered in universities and other factors. But there is also a clear perception of the need to strengthen and encourage the creation and professionalization of production units and management processes, supported by long-term public policy and the control of piracy. Long-lasting illegal CD distribution has been harmful to the industry to the extent that consuming non-original products, like acquiring collections, is no longer perceived as an illegal activity and the willingness to pay for an album has systematically decreased.

## 5.3 Book and publishing industry

Publishing in Ecuador has been traditionally very limited and, according to UNESCO's Regional Center for the Promotion of Books in Latin America (CERLALC), the interest in reading among Ecuadorians has increased, so the country's index of reading is currently close to the mean index of South America. Although it is a country with a limited market,[30] the increase in the number of publishing companies has been larger than the increase within countries with a more developed publishing sector.[31] Currently, 498 publishers are registered with the Ecuadorian Book Chamber, which serves as the national agency for ISBN registration. The chamber was created in 1978 and has played a key role in the promotion of public policy, including the promulgation of the Book Law and its regulations in 1987. It is also responsible for producing statistical information in coordination with CERLALC, and represents Ecuador at international institutions, such as the Iberoamerican Group of Publishers. The Book Law created the National Book Commission, an institution composed of five representatives from the Ecuadorian State and three representatives related to the book industry, one of them from the Book Chamber. The Book Commission is the institution established to design and coordinate book policy in the country. The law identifies the need for creating funding sources for publishing, including loans and production funding, but does not directly create any promotion or funding program.

The entire publishing sector, which includes all activities related to press and literature production, printing and sales, reported a gross value-added of 429.9 million US dollars. The sector had significant and steady growth at the rate of 32.35 per cent on average between 2010 and 2012, which began to decline after 2013 (18.2 per cent on average per year).

Within the past 10 years, there have been initiatives to promote the production and consumption of books, such as publishing grants, the creation of the National Book Fair and promotion in fairs abroad, but there has been no sustained policy or continuous funding for book production or promotion.

### *Production*

According to CERLALC, Ecuador's publishing output accounts for about 1.3 per cent of Latin American output. The gross value-added registered for activities related to authors, writers and translators was 24.9 million US dollars, an increase of 44 per cent compared to 2010. Meanwhile, book publishing decreased by 3 per cent from 2010 to 2014, registering a total amount of 6.87 million US dollars in 2014.

The Book Chamber registered the publication of nearly 25,000 books in total between 2012 and 2014. In 2014, 4,412 titles were registered under the ISBN; 76 per cent of them were first editions, 13 per cent re-prints and 11 per cent re-issues. Most of the books produced and registered were those considered of general interest (49 per cent), which includes literature; 25 per cent of the books had an educational content; 24 per cent were scientific books; and 2 per cent were religious publications.

[30] According to the study "The book market in Ecuador", by the Office of Economy and Commerce of the Spanish Embassy in Ecuador: "the reading habit has not taken root in the local population. This, and the fact that books are expensive, mean that most of the demand for books in the country is concentrated in the academic and professional sector."
[31] Informe diagnóstico del Sector Editorial y del Ministerio de Cultura del Ecuador, consultoría para la formulación del proyecto y gestión del Fondo Editorial del Ministerio de Cultura del Ecuador, 2012.

**Table 5-4: Book production in Ecuador, 2009-2014**

| Year | Titles produced | Average number of books |
|---|---|---|
| 2009 | 3,399 | 8,616,904 |
| 2010 | 4,164 | 12,078,136 |
| 2011 | 4,371 | 11,810,544 |
| 2012 | 4,488 | 9,103,428 |
| 2013 | 4,054 | 7,302,928 |
| 2014 | 4,412 | 7,820,669 |

Source: Book Chamber

According to the Ministry of Culture, 47.72 per cent of books published by private publishers and 53.7 per cent of public publications do not have an ISBN registration, which suggests that the need to monitor copyright is not widely recognized. The IEPI registered 2,611 literary works in total in 2014, 9 per cent more registrations than in 2010, and only 20 per cent more than the books published that year.

The overall production of titles in Ecuador has increased at a slow but constant rate every year (6 per cent), while the average number of books produced per title decreased by 6 per cent per year, with an average production of 1,772 books per title in 2014. The resource persons explained this reduction in the print run per book by the fact that local publishers feel their access to distribution is limited (except for educational books) and therefore the risk of investing in large print runs is considered high. The highest production of books was in 2010 (12 million). Thereafter, the total amount decreased steadily; production in 2014 (35.25 per cent) was less than 4 years before. After the Ministry of Culture,[32] 32.3 per cent of book production in Ecuador comes from government publishers and 67.4 per cent from private ones. The growth of private publishing companies was higher than the growth of government publishers until 2011, when the relationship was inverted. Interviewed writers and publishers consider the overall increase in production and the change in rates to be driven by the large number of government publications and the private hiring by the State of book production services, most of them related to its institutional needs.

A study by the Ministry of Culture of subjects treated in the books published found that books published by private publishers most frequently deal with sociology, art and literature, architecture and anthropology. This is because the biggest national publishers in this group are those related to academic institutions, which also receive public funding for their publications.[33] Books published by public institutions most frequently deal with poetry, history and essays.

Publishers of educational books are considered to have the most sustainable economic position, chiefly because of agreements with schools but also because they maintain a model of low production and royalty costs.[34] Interviewed publishers and writers consider literary production with high quality standard and export possibilities a key point to be developed.

In Ecuador, two literary imprints have traditionally led the market: Santillana Publishing Group and Norma. Santillana Ecuador[35] is now the only established publisher that edits, publishes and distributes titles of Ecuadorian writers in Ecuador and abroad, in print runs of over 5,000. It is mostly oriented to educational content and children's and youth literature. Alfaguara, which was part of Santillana Group since the 1980s, was sold to Penguin Random House in 2013 and thereafter the imprint closed its publishing office in Ecuador, so the Ecuadorian catalogue (publications before 2013) and acquisitions are managed from the office in Colombia. According to interviewed writers, this has actually resulted in a small increase in sales of the Ecuadorian books on the catalogue, but means that new writers (those who did not previously have a

[32] Informe diagnóstico del Sector Editorial y del Ministerio de Cultura del Ecuador, consultoría para la formulación del proyecto y gestión del Fondo Editorial del Ministerio de Cultura del Ecuador, 2012. For this study, there were several interviews of the main publishing companies in the country: Editorial Abya-Yala, CODEU, Ediciones LibriMundi, Editorial Pegasus, Editorial Planeta, Flacso – Ecuador, Gescultura, Káustica, La Caracola, Manthra Editores, Rampi, Dogma, Trama Ediciones, Eskeletra, Fondo Editorial Jorge Vera de la Casa de la Cultura Ecuatoriana (CCE), Casa de la Cultura Núcleo de Tungurahua, Gustavo A. Serrano de la CCENL, INPAC, Instituto Metropolitano de Patrimonio, Instituto Nacional de Patrimonio Cultural and Municipio de Cuenca – Dirección Cultural.
[33] FLACSO (Latin American Faculty of Social Sciences) and Abya-Yala (editorial unit of Salesiana University) are the biggest social science editors and publishers in the country.
[34] For example, three publishers have been found to supply the educational market with literature books for schools, which are mostly
[35] Santillana Editorial Group is a Spanish company with subsidiaries in 22 countries, including Ecuador since 1993.

professional relationship with the publisher) have restricted access to the decision-makers of the acquisitions department, and therefore the prospects of entering into an agreement to publish new Ecuadorian books have narrowed.

This has led to the recent appearance of small publishing companies[36] hoping to maintain a very specialized publishing trend, focusing on national contemporary literature. Their goal is to fill the gap left by traditional and bigger publishers that seek books with larger print runs. The number of books with small print runs produced in the past three years is an important sign of the need for local publishers that link writers and readers. However, sustainability is viewed as the major challenge under the current conditions of distribution and consumption.

### *Books distribution and retail*

According to the Ministry of Culture, all publishers use bookstores as their main distribution channel (average of 30 per cent of their sales); only 52.32 per cent use the Internet[37] and 42.86 per cent also participate in book fairs to sell their products. Most publishers (71.43 per cent) also have their own direct distribution channels, generally settled through agreements with educational institutions and cultural centers, bars and cafeterias. Publishers linked to academic institutions and those specialized in school texts have their own retail stores as their main distribution channel. Abya-Yala is the biggest distributor and retail store chain for academic publication,s and Edinun, Española and Studium are the biggest educational retailers, specialized mostly in school books. The three of them manage a very similar market share.

Publishers outside the academic market say they use two or three bookstores to distribute their contents and find a market for around 50 per cent of their production through these channels. The distribution market for books that are not exclusively educational is currently a monopoly run by La Favorita Group, which founded Mr. Books and in 2015 bought the biggest bookstore chain in the country, Librimundi, thereby gaining control of about 85 per cent of the distribution market. Publishers Crisol[38] and Librería Española follow with about 17 per cent of the market and there are a group of very small independent bookstores[39] that together reach nearly 3 per cent, Rayuela being the biggest with 1 per cent of the market.[40]

According to the Ministry of Culture, "30 per cent of the supply available in bookstores is composed of Ecuadorian publications; of these, approximately 90 per cent are books and 10 per cent magazines".[41]

A glaring weakness identified by writers and editors is the lack of specialized sales agents that work to bring Ecuadorian content to international markets, given the small size of the Ecuadorian market. According to research by the Ministry of Culture, wholesale exports of books and magazines generated 858,000 US dollars in 2014, which would correspond to only 4.8 per cent of publishers who registered to export their publications. Government publishers do not export at all.

### *Consumption*

The Ecuadorian population has historically had a very low reading index compared to other countries in the region. "In 2012, UNESCO's Regional Center for the Promotion of Books in Latin America (CERLALC), registered a figure of 0.5 points for reading in Ecuador per person, which is the equivalent of half a book per year, well behind Chile and Argentina, which registered 5.4 and 4.6 books read per year respectively. Other countries like Mexico and Colombia stand at 2.9 and 2.2 respectively, according to research by CERLALC".[42]



[36] Publishers such as Cadaver Exquisito, Cactus Pink, Ruido Blanco, Turbina Editorial, Doble Rostro and El Fakir.
[37] The most frequently used plattforms are: www.abyayala.org, www.cceorg.ec/tungurahua, book.gogle.com – ebookstore, www.flacso.org, www.libroecuador.com and www.trama.ec.
[38] Peruvian bookstore chain that bought the Ecuadorian chain Libroexpress and all its stores in 2013.
[39] Rayuela, Giving tree books (children), Tolomeo, El siglo de las luces, Tecnilibro, Tolstoi (home-based), El oso lector (children, home-based), Tinta café, Vida nueva, Casa morada.
[40] Data provided by Librería Rayuela, Mónica Varea.
[41] Informe diagnóstico del Sector Editorial y del Ministerio de Cultura del Ecuador, consultoría para la formulación del proyecto y gestión del Fondo Editorial del Ministerio de Cultura del Ecuador, 2012.
[42] http://www.andes.info.ec/es/noticias/dia-mundial-libro-ecuador-mantiene-bajo-habito-lectura.html.

It is important to note that until 2012, UNESCO reported that 4 provinces in the country still had a high rate of illiteracy (over 15 per cent).[43]

The Ecuadorian Institute for Statistics and Censuses (INEC), reports that 26.5 per cent of the national population stated that they spent no time at all reading, while 50.3 per cent read for between 1 and 2 hours every week, 18.4 per cent read for between 3 and 5 hours and only 4.4 per cent spent an average of one hour a day reading. Of people who stated that they read frequently, 31 per cent read mostly newspapers in their free time and 28 per cent of them read books.[44]

This weak reading culture is identified by all the participants in the value chain as one of the main obstacles to sustained growth in the publishing industry. A survey by the Ministry of Culture in 2014[45] discovered that most people did not know Ecuadorian authors. Among children, 77 per cent of those aged between 9 and 11 years chose their books on the suggestion of parents or other family members, 15 per cent received suggestions from teachers and only 24 per cent considered reading a habit to be encouraged in childhood. This shows the urgent need to promote reading in the country.

### *Public support for publishing*

In the early 1970s, the Central Bank created a Publishing Committee, the first publishing fund aimed at promoting national publishing as part of a plan of cultural dissemination. The program included editing, publishing and even a distribution network to sell books by Ecuadorian writers and provided for fees and incomes based on a percentage of sales for authors. The fund published 752 titles in its lifetime but unfortunately the lack of public policy oriented to promote the sector limited opportunities to improve the program. After 2008, the fund started a transition to become part of the Editorial Committee of the Ministry of Culture and meanwhile (between 2007 and 2011) the number of publications by the Ministry of Culture increased considerably, but the books published were not examined by an editorial committee. Since 2012, a policy to improve the Editorial Committee has been under development.

Since 2008, the Ministry of Culture has presented bids for funding of publications in different areas, thereby invigorating production and increasing the relevance of Ecuadorian authors. Nonetheless, the absence of a sustainable policy and clear selection mechanisms are still identified as shortcomings. In the last ten years, prizes and merit awards have also been established.[46]

To increase interest in reading among the public, one of the main projects created by the government is the Eugenio Espejo Reading Campaign,[47] along with municipal initiatives like the establishment of reading corners on marginal zones, training programs for bookstores and school teachers, donation of collections to libraries from universities and schools around the country,[48] the Quito lee [Quito reads] program and other initiatives started by groups of small publishers and writers have sprung up within the past eight years. SINAB, the national library system, has started interesting programs related to the use of public spaces that seek to diversify literature consumption patterns. These programs focus on the donation of books to schools and on storytelling. Although all these initiatives have been successful, the real impact on book consumption has not been measured and there is still the perception that they are isolated projects that have not been coordinated under a comprehensive public policy.

Given that the Ecuadorian market is small, the participation of publishers and writers in international fairs has been supported by the government. From 2007 to 2012, the Ecuadorian publishing industry was promoted in 23 international fairs and marketplaces with the support of the Ecuadorian Government. This program has been coordinated by the Ministry of Culture and the Ecuadorian Book Chamber and at least eight publishers

[43] Chimborazo 19 per cent, Bolívar 18 per cent, Cotopaxi 18 per cent, Cañar 15 per cent. Informe diagnóstico del Sector Editorial y del Ministerio de Cultura del Ecuador, consultoría para la formulación del proyecto y gestión del Fondo Editorial del Ministerio de Cultura del Ecuador, 2012.
[44] Sistema Integrado de Encuesta de Hogares, INEC, 2012
[45] Survey of 150 people (79 of them claimed to read and 71 claimed to be non-readers; all were over 25 years old) in Guayaquil as part of a consultancy made for the conceptual development of the Guayaquil book fair in 2014.
[46] Prizes: César Dávila Andrade, Premio Pablo Palacio, Premio Agustín Cueva, Premio Lenguas Vivas.
[47] Promoted by Casa de la Cultura and the Public water and electricity utility, which promoted the publication of one title per month with a retail price of 1 dollar per book related to water and electricity services at first, and subsequently negotiates publishing with with other public services providers.
[48] An initiative started by FONSAL, a heritage preservation fund in Quito.

and book retailers have participated on all occasions, along with over 330 writers who have been invited to participate in academic activities.

Considering that Ecuador is a multicultural country in which 14 ancestral languages are spoken, that the Constitution recognizes two of them (Kichwa and Shuar) as official languages, and that only 4.8 per cent of the books published by the Ecuadorian Government were published in or translated into ancestral languages, it becomes clear that there is a lack of public policy for language preservation or the promotion of book reading in ancestral languages.

# 6. CONCLUSIONS AND RECOMMENDATIONS

Using the WIPO Guide in the Ecuadorian study entailed an effort to combine different statistical instruments and to assess secondary sources and obtain information from qualified informants. The following section summarizes the main findings, conclusions and recommendations and offers a first approach to CIs in Ecuador.

***Main findings***

- CIs accounted for 4.47 per cent of GDP, 3.47 per cent of employment, 0.7 per cent of exports and 4 per cent of imports in 2014. A comparison with past trends (1999 2011) shows that during the relevant period, the industry experienced vigorous production, falling employment and a slight deterioration of the trade balance.

- Core and partial copyright industries increased their relative share in the GVA generated by all CIs between 2010 and 2014, confirming an encouraging trend within industries with high creativity components. In fact, the core copyright industries went from a 48.8 per cent share of total GVA for CIs in 2010 to 56.9 per cent in 2014. The partial copyright industries edged up from 16.3 per cent to 17.2 per cent.

- On the contrary, interdependent industries saw a fall in their relative share of GVA among all CIs, from 24.6 per cent to 18.9 per cent during the same period. Similarly, non-dedicated support industries decreased their relative share from 10.3 per cent to 7.0 per cent. This trend reflected the limitations of the industrial sector and the lack of infrastructure, despite considerable improvements in recent years.

- The value-added of CIs grew faster than in the overall economy during this period, reaching $3,116.1 million US dollars in 2014 (constant terms). Core copyright industries grew robustly during this period (by 76 per cent) and partial copyright industries grew by 56 per cent. This opens up interesting new vistas for strengthening this value chain in Ecuador, as both industrial categories are complementary. The core CIs underpin the creative process and the partial CIs channel elements of creativity towards production on a larger scale.

- In contrast, interdependent and non-dedicated support CIs grew at a slower rate than the overall economy (by 15.9 per cent). Both can be characterized – in broad terms – as industries supplying inputs and infrastructure (respectively) for developing the core and partial CIs. The relative sluggishness of the interdependent industries is accompanied by a marked external dependency, as evidenced by the highest external trade deficit among the CIs (54 per cent of the total trade deficit for CIs in 2014).

- Employment was the most difficult aggregate to measure. This was mainly due to inadequate statistical instruments, which had no breakdown level to meet the methodology requirements. The contribution of CIs to national employment accordingly fell from 4.03 per cent in 2010 to 3.47 per cent in 2014, which was the lowest value compared to previous years.

- Firstly, about half of the jobs generated by CIs between 2010 and 2014 fall under core copyright industries (between 47 per cent and 49 per cent). Partial copyright industries accounted for 19 per cent of generated jobs in 2010 and 22 per cent in 2014. Interdependent industries accounted for 17 per cent to 19 per cent and non-dedicated support industries for 13 per cent to 14 per cent during this period.

- The considerable trade balance of CIs was invariably negative during the relevant period. Ecuador is a net importer of goods and services from CIs and this trend continues to grow. This is the result of an interesting trend in local consumption and, at the same time, it indicates the urgency of promoting national public policies related to productive strategies as a means of addressing and improving trade imbalances.

- Ecuadorian CIs have medium labor productivity compared to 40 other countries that have conducted this study. Productivity changed considerably between 2010 and 2014, and could have resulted in two simultaneous phenomena: (i) an increase in automated processes and reduction of labor costs (especially in important core economic activities such as software, advertising, CCS); and (ii) the persistence – and even consolidation – of unconventional labor modes in the sector (work by project, independent work, informal recruitment), particularly within traditional creative sectors (cinema, music and publishing). The case studies in this report confirm this trend, which is fueling the under-registration of employment data.

- From an international perspective, Ecuadorian CIs fall within normal ranges, as identified in similar studies. The average proportion of the value-added of CIs around the world is 5.02 per cent of national economies. Ecuadorian CIs reached 4.47 per cent of total national value-added, which places the country slightly higher than the Latin American (4.44 per cent) and the South American (3.78 per cent) averages, but lower than the global average.

- A closer look at the core copyright industries shows that two economic sectors stand out: software and databases, and advertising services, in which rates of value-added growth in exports reached significant levels, having the highest exports. Press and literature have had traditionally representative levels of employment and experienced interesting growth levels. On the contrary, radio and television have experienced declining levels of employment during this period.

- It is important to mention that the years studied for this report coincide with a period of prosperity of the Ecuadorian economy, which is undoubtedly driven by the growth of CIs. Ecuador's economic growth during the period studied had contrasting outcomes for CIs. On the one hand, value-added in these industries was positive in general terms; on the other hand, the growth of CIs increased the Ecuadorian trade deficit. Special attention must be paid to promoting these sectors through public investment and expenditure. Undeniably, in cases like cinema, public funds were one of the major causes of the growth of the activity, which reached a record for Ecuadorian produced and released movies. It is also interesting to analyze the potential threats to the sustainability of the industrial model if the sector's subsidies are removed.

### *Institutions and legal framework*

- Copyrights enforcement in Ecuador dates back to the 19th century; since then, a rich selection of laws and regulations has been implemented. International guidance in regard to copyrights influenced the institutional structuring of the national legal framework. Indeed, Ecuador is signatory to the most relevant international treaties and conventions on intellectual property and copyright.

- Ecuador's membership of WIPO, the WTO and other main international organizations has certainly been a determining factor in the implementation of the national legal frameworks currently in force (Intellectual Property Act, 1998). Ecuador has followed the international provisions and has even considered implementing a "TRIPS Plus" regulation level, a prospect which has been controversial among the stakeholders concerned. Indeed, it would appear that this regulation has failed to take sufficient account of the right of the public to have adequate access to culture, or even to encourage the adoption of policies necessary for fostering creative industries.

- The creation of the IEPI as a regulator is a milestone in the institutionalization of copyright in the country. Since its inception, the IEPI has played an active role in copyright management. Its regulatory capacity seems to have expanded, especially in regard to the proper management of the rights of the various stakeholders of creative processes. There is evidence of exponential growth of copyright-protected material in registries since the beginning of its activities.

- There is a need to further strengthen the dialogue and cooperation between the CCS and authorities responsible for oversight (the IEPI). Although the CCS have posted positive results in recent years, it is difficult at this level of analysis to weigh the impact of the factors that have led to an increase in collection levels. In addition to clear improvement their collection management, the general trend of rising mass consumption of audiovisual and music content has undoubtedly influenced this increase. Moreover, during the relevant period, the macroeconomic climate was favorable, with general economic growth.

- It is equally important to continue to strengthen the work of CCS at different levels. Firstly, at the operational level, the management of these organizations must continue to be guided by universal principles of transparency, good governance, accountability, good tax practices, and fair redistribution among all actors of the sector. Secondly and more broadly, it is important that the different CCS intensify the promotion of a culture of overall recognition of the rights and duties related to copyrights. As a consequence, their role will evolve from coercive action seeking appropriate collection towards a determinant social function that generates a culture of recognition of rights.

- The past years have been marked by a change in regulatory policies for some core CIs, such as radio and TV activities, press and cinema. Different stakeholders have sought to promote several organizational efforts

so as to institutionalize some initiatives, such as funding for film promotion, content regulation for radio and television, etc.

- Similarly, it is essential to further consolidate initiatives to enforce intellectual property rights, with a focus on diversity in forms and protection systems, to avoid penalizing small economic entities (SMEs, social and solidarity economic units, and self-employed creators), taking into account the limited access to quality cultural content in Ecuadorian society in general.

- Finally, this is an opportunity to update Ecuadorian intellectual property legislation, which has been in force for almost two decades. Moreover, the challenges of transforming creative industries in the digital era must be considered. It is important to recognize these industries as part of a productive strategy for development and for an intelligent design of original, bespoke legislation.

### *Challenges and recommendations*

- Accounting seemed to be one of the main obstacles to studying CIs in Ecuador. The situation of the System of National Accounts prevented us from a conducting a straightforward analysis of the CI sectors, as suggested in the WIPO Guide. Different sources of information were consulted, analyzed and combined in order to complement and adjust the levels and trends of the estimates included. A study with these characteristics requires access to statistical sources with a high level of disaggregation that enable a precise measurement of industries related to copyright. Access to micro-data at a higher level of disaggregation, such as product level, was limited and so the study team relied on diverse sources, including expert interviews, to complement the estimation process.

- One important challenge that Ecuador needs to address is the development of information systems for cultural, creative, technological and innovation activities. The Ministry of Culture has initiated this process through the implementation of a System of Satellite Accounts in the cultural sector. The WIPO Guide is another important reference tool to assess the intangible assets of cultural and creative activities. Hence, an important recommendation of this study is to promote and institutionalize the harmonization and sharing of information strategies implemented by all the related stakeholders, among them the IEPI, the Ministry of Culture, WIPO and other national providers of statistics.

- There are also official regional efforts (e.g., Convenio Andrés Bello) to measure the contribution of cultural and creative industries, incorporating methodological approaches tailored to the available information sources. Future WIPO methodological innovations might incorporate some of these experiences to obtain a more precise approach to the problem of copyright measurement. An option might be to adopt a more detailed approximation to the product level classifications (CPC) instead of systematically favoring the industry classification (ISIC) approach.

- Having a robust statistical and data system could help to solve some issues that are not addressed in this report, such as the level of activity required of CIs if there is a change in the economic cycle; evaluating the sensitivity of aggregates such as household consumption, government consumption and gross fixed capital is decisive in the production of results.

- Another challenge faced in preparing this report was finding detailed information of trends in the labor market of CIs. Assessing employment levels in CIs is crucial; however, extending the analysis further to capture the multiple labor modes that exist in this sector is equally necessary. By extending the analysis, it would be possible to test the hypothesis about the duality of the labor market, especially for core CIs: on the one hand, the coexistence of a modern sector, with high degrees of technification and innovation, where labor costs are reduced; on the other hand, a more traditional sector, where labor modes are unconventional, with the possible effect being underreporting of employment levels in the industry.

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http://www.wipo.int/copyright/en/performance/

http://www.worldbank.org/en/country/ecuador/overview

# Annex 1 Classification of copyright industries – Corresponding codes

## Matching catalogues: ISIC rev3.1 / 4.0 – CICN (Central Bank)

### Core copyright industries

| Sector | Economic Activity | ISIC Rev 3.1 | ISIC Rev.4 | CICN |
|---|---|---|---|---|
| Printing and Literature | Authors, writers, translators | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | | 7499 | 6399 | 38002 |
| | | 7499 | 7310 | 42001 |
| | | 7499 | 7410 | 42001 |
| | | 7499 | 7490 | 42001 |
| | | 7499 | 8211 | 42001 |
| | | 7499 | 8219 | 42001 |
| | | 7499 | 8220 | 42001 |
| | | 7499 | 8230 | 42001 |
| | | 7499 | 8291 | 42001 |
| | | 7499 | 8299 | 42001 |
| | | 7499 | 8550 | 44001 |
| | Newspapers | 2212 | 5813 | 23001 |
| | News and feature agencies | 9220 | 6391 | 38002 |
| | | 9220 | 7420 | 42001 |
| | | 9220 | 9000 | 46001 |
| | Magazines/periodicals | 2212 | 5813 | 23001 |
| | Book publishing | 2211 | 3290 | 32001 |
| | | 2211 | 5811 | 23001 |
| | | 2211 | 5812 | 23001 |
| | Cards, maps, directories and other published material | 2219 | 5813 | 23001 |
| | | 2219 | 5819 | 23001 |
| | Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials | 2221 | 1709 | 23001 |
| | | 2221 | 1811 | 23001 |
| | | 2222 | 1812 | 23001 |
| | Wholesale and retail of press and literature (bookstores, newsstands, etc.) | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5239 | 4741 | 35001 |
| | | 5239 | 4753 | 35001 |
| | | 5239 | 4761 | 35001 |
| | | 5239 | 4763 | 35001 |
| | | 5239 | 4764 | 35001 |
| | | 5239 | 4773 | 35001 |
| | Libraries | 9231 | 5912 | 38002 |
| | | 9231 | 9101 | 46001 |

| | | | | |
|---|---|---|---|---|
| Music, Theatrical Productions, Operas | Composers, lyricists, arrangers, choreographers, writers, directors, performers and other personnel | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | | 9219 | 7990 | 42001 |
| | | 9219 | 8542 | 44002 |
| | | 9219 | 9000 | 46001 |
| | | 9219 | 9321 | 46001 |
| | | 9219 | 9329 | 46001 |
| | | 9249 | 7810 | 42001 |
| | | 9249 | 9200 | 46001 |
| | | 9249 | 9329 | 46001 |
| | Printing and publishing of music | 2213 | 5920 | 38002 |
| | Production/manufacturing of recorded music | 2230 | 1820 | 23001 |
| | Wholesale and retail of recorded music (sale and rental) | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |
| | | 7130 | 7721 | 42001 |
| | | 7130 | 7722 | 42001 |
| | | 7130 | 7729 | 42001 |
| | | 7130 | 7730 | 42001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | Artistic and literary creation and interpretation | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | Performances and allied agencies (booking, ticket agencies, etc.) | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| Motion Picture and Video | Writers, directors, actors | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | Motion picture and video production and distribution | 9211 | 5911 | 38002 |
| | | 9211 | 5912 | 38002 |
| | | 9211 | 5913 | 38002 |
| | | 9211 | 5920 | 38002 |
| | Motion picture exhibition | 9212 | 5914 | 38002 |
| | Video rentals and sales, video on demand | 7130 | 7721 | 42001 |
| | | 7130 | 7722 | 42001 |
| | | 7130 | 7729 | 42001 |
| | | 7130 | 7730 | 42001 |
| | | 9211 | 5911 | 38002 |
| | | 9211 | 5912 | 38002 |
| | | 9211 | 5913 | 38002 |
| | | 9211 | 5920 | 38002 |
| | Allied services | 2230 | 1820 | 23001 |

| | | | | |
|---|---|---|---|---|
| Radio and Television | National radio and television broadcasting companies | 9213 | 5911 | 38002 |
| | | 9213 | 5920 | 38002 |
| | | 9213 | 6010 | 38002 |
| | | 9213 | 6020 | 38002 |
| | Other radio and television broadcasters | 9213 | 5911 | 38002 |
| | | 9213 | 5920 | 38002 |
| | | 9213 | 6010 | 38002 |
| | | 9213 | 6020 | 38002 |
| | Independent producers | 7499 | 6399 | 38002 |
| | | 7499 | 7310 | 42001 |
| | | 7499 | 7410 | 42001 |
| | | 7499 | 7490 | 42001 |
| | | 7499 | 8211 | 42001 |
| | | 7499 | 8219 | 42001 |
| | | 7499 | 8220 | 42001 |
| | | 7499 | 8230 | 42001 |
| | | 7499 | 8291 | 42001 |
| | | 7499 | 8299 | 42001 |
| | | 7499 | 8550 | 44001 |
| | Cable television (systems and channels) | 6420 | 6110 | 38002 |
| | | 6420 | 6120 | 38002 |
| | | 6420 | 6130 | 38002 |
| | | 6420 | 6190 | 38002 |
| | Satellite television | 6420 | 6110 | 38002 |
| | | 6420 | 6120 | 38002 |
| | | 6420 | 6130 | 38002 |
| | | 6420 | 6190 | 38002 |
| | Allied services | 9213 | 5911 | 38002 |
| | | 9213 | 5920 | 38002 |
| | | 9213 | 6010 | 38002 |
| | | 9213 | 6020 | 38002 |
| Photography | Studios and commercial photography | 7494 | 7420 | 42001 |
| | Photo agencies and libraries | 2222 | 1812 | 23001 |
| | | 7499 | 6399 | 38002 |
| | | 7499 | 7310 | 42001 |
| | | 7499 | 7410 | 42001 |
| | | 7499 | 7490 | 42001 |
| | | 7499 | 8211 | 42001 |
| | | 7499 | 8219 | 42001 |
| | | 7499 | 8220 | 42001 |
| | | 7499 | 8230 | 42001 |
| | | 7499 | 8291 | 42001 |
| | | 7499 | 8299 | 42001 |
| | | 7499 | 8550 | 44001 |
| | | 9231 | 5912 | 38002 |
| | | 9231 | 9101 | 46001 |

| | | | | |
|---|---|---|---|---|
| Software and Databases | Programming, development and design manufacturing | 7221 | 5820 | 38002 |
| | | 7229 | 6201 | 38002 |
| | | 7229 | 6202 | 38002 |
| | Wholesale and retail pre-packaged software (business programs, video games, educational programs, etc.) | 5151 | 4651 | 35001 |
| | Database processing and publishing | 7240 | 5811 | 23001 |
| | | 7240 | 5812 | 23001 |
| | | 7240 | 5813 | 23001 |
| | | 7240 | 5819 | 23001 |
| | | 7240 | 5820 | 38002 |
| | | 7240 | 5920 | 38002 |
| | | 7240 | 6010 | 38002 |
| | | 7240 | 6020 | 38002 |
| | | 7240 | 6312 | 38002 |
| | | 7230 | 6202 | 38002 |
| | | 7230 | 6311 | 38002 |
| Visual and Graphic Arts | Artists | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | Art galleries and other wholesale and retail | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | Picture framing and other allied services | 7494 | 7420 | 42001 |
| | Graphic design | 9214 | 7990 | 42001 |
| | | 9214 | 9000 | 46001 |
| | | 7499 | 6399 | 38002 |
| | | 7499 | 7310 | 42001 |
| | | 7499 | 7410 | 42001 |
| | | 7499 | 7490 | 42001 |
| | | 7499 | 8211 | 42001 |
| | | 7499 | 8219 | 42001 |
| | | 7499 | 8220 | 42001 |
| | | 7499 | 8230 | 42001 |
| | | 7499 | 8291 | 42001 |
| | | 7499 | 8299 | 42001 |
| | | 7499 | 8550 | 44001 |
| Advertising Services | Agencies, buying services | 7430 | 7310 | 42001 |
| Copyright Collecting Societies | Copyright Collecting Societies | 9112 | 9412 | 46001 |

## Interdependent copyright industries

| Sector | Economic Activity | ISIC Rev 3.1 | ISIC Rev.4 | CICN |
|---|---|---|---|---|
| Manufacture, wholesale and retail (sales and rental) of: | TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment and other similar equipment | 3230 | 2610 | 29001 |
| | | 3230 | 2630 | 29001 |
| | | 3230 | 2640 | 29001 |
| | | 3230 | 2670 | 29001 |
| | | 3230 | 2817 | 29001 |
| | | 3230 | 3312 | 32001 |
| | | 3230 | 3313 | 32001 |
| | | 3230 | 9521 | 46001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |
| | | 7130 | 7721 | 42001 |
| | | 7130 | 7722 | 42001 |
| | | 7130 | 7729 | 42001 |
| | | 7130 | 7730 | 42001 |
| | Computers and equipment | 3000 | 2610 | 29001 |
| | | 3000 | 2620 | 29001 |
| | | 3000 | 2817 | 29001 |
| | | 3000 | 3320 | 32001 |
| | | 5151 | 4651 | 35001 |
| | | 7123 | 7730 | 42001 |
| | Musical instruments | 3692 | 3220 | 32001 |
| | | 3692 | 3319 | 32001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |

| | | | | |
|---|---|---|---|---|
| | Photographic and cinematographic instruments | 3320 | 2670 | 29001 |
| | | 3320 | 2731 | 29001 |
| | | 3320 | 2829 | 29001 |
| | | 3320 | 3250 | 32001 |
| | | 3320 | 3313 | 32001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5239 | 4741 | 35001 |
| | | 5239 | 4753 | 35001 |
| | | 5239 | 4761 | 35001 |
| | | 5239 | 4763 | 35001 |
| | | 5239 | 4764 | 35001 |
| | | 5239 | 4773 | 35001 |
| | | 7129 | 7730 | 42001 |
| | Photocopiers | 3000 | 2610 | 29001 |
| | | 3000 | 2620 | 29001 |
| | | 3000 | 2817 | 29001 |
| | | 3000 | 3320 | 32001 |
| | | 5159 | 4653 | 35001 |
| | | 5159 | 4659 | 35001 |
| | Blank recording material | 2429 | 1079 | 19002 |
| | | 2429 | 2011 | 25001 |
| | | 2429 | 2029 | 25002 |
| | | 2429 | 2610 | 29001 |
| | | 2429 | 2680 | 29001 |
| | | 2429 | 2817 | 29001 |
| | | 5152 | 4652 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |
| | Paper | 2101 | 1701 | 23001 |
| | | 5149 | 4669 | 35001 |
| | | 5239 | 4741 | 35001 |
| | | 5239 | 4753 | 35001 |
| | | 5239 | 4761 | 35001 |
| | | 5239 | 4763 | 35001 |
| | | 5239 | 4764 | 35001 |
| | | 5239 | 4773 | 35001 |
| | | | | |

## Interdependent copyright industries

| Sector | Economic Activity | ISIL Rev 3.1 | ISIL Rev.4 | CICN |
|---|---|---|---|---|
| Manufacture, wholesale and retail (sales and rental) of: | TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment and other similar equipment | 3230 | 2610 | 29001 |
| | | 3230 | 2630 | 29001 |
| | | 3230 | 2640 | 29001 |
| | | 3230 | 2670 | 29001 |
| | | 3230 | 2817 | 29001 |
| | | 3230 | 3312 | 32001 |
| | | 3230 | 3313 | 32001 |
| | | 3230 | 9521 | 46001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |
| | | 7130 | 7721 | 42001 |
| | | 7130 | 7722 | 42001 |
| | | 7130 | 7729 | 42001 |
| | | 7130 | 7730 | 42001 |
| | Computers and equipment | 3000 | 2610 | 29001 |
| | | 3000 | 2620 | 29001 |
| | | 3000 | 2817 | 29001 |
| | | 3000 | 3320 | 32001 |
| | | 5151 | 4651 | 35001 |
| | | 7123 | 7730 | 42001 |
| | Musical instruments | 3692 | 3220 | 32001 |
| | | 3692 | 3319 | 32001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |

| | | | | |
|---|---|---|---|---|
| | Photographic and cinematographic instruments | 3320 | 2670 | 29001 |
| | | 3320 | 2731 | 29001 |
| | | 3320 | 2829 | 29001 |
| | | 3320 | 3250 | 32001 |
| | | 3320 | 3313 | 32001 |
| | | 5139 | 4649 | 35001 |
| | | 5139 | 4663 | 35001 |
| | | 5239 | 4741 | 35001 |
| | | 5239 | 4753 | 35001 |
| | | 5239 | 4761 | 35001 |
| | | 5239 | 4763 | 35001 |
| | | 5239 | 4764 | 35001 |
| | | 5239 | 4773 | 35001 |
| | | 7129 | 7730 | 42001 |
| | Photocopiers | 3000 | 2610 | 29001 |
| | | 3000 | 2620 | 29001 |
| | | 3000 | 2817 | 29001 |
| | | 3000 | 3320 | 32001 |
| | | 5159 | 4653 | 35001 |
| | | 5159 | 4659 | 35001 |
| | Blank recording material | 2429 | 1079 | 19002 |
| | | 2429 | 2011 | 25001 |
| | | 2429 | 2029 | 25002 |
| | | 2429 | 2610 | 29001 |
| | | 2429 | 2680 | 29001 |
| | | 2429 | 2817 | 29001 |
| | | 5152 | 4652 | 35001 |
| | | 5233 | 4742 | 35001 |
| | | 5233 | 4753 | 35001 |
| | | 5233 | 4759 | 35001 |
| | | 5233 | 4762 | 35001 |
| | Paper | 2101 | 1701 | 23001 |
| | | 5149 | 4669 | 35001 |
| | | 5239 | 4741 | 35001 |
| | | 5239 | 4753 | 35001 |
| | | 5239 | 4761 | 35001 |
| | | 5239 | 4763 | 35001 |
| | | 5239 | 4764 | 35001 |
| | | 5239 | 4773 | 35001 |

## Non-dedicated support industries

| Economic Activity | ISIC Rev 3.1 | ISIC Rev.4 | CICN |
|---|---|---|---|
| General wholesale and retailing | 5110 | 4610 | 35001 |
| | 5131 | 4641 | 35001 |
| | 5139 | 4649 | 35001 |
| | 5139 | 4663 | 35001 |
| | 5151 | 4651 | 35001 |
| | 5152 | 4652 | 35001 |
| | 5159 | 4653 | 35001 |
| | 5159 | 4659 | 35001 |
| | 5190 | 4690 | 35001 |
| | 5211 | 4711 | 35001 |
| | 5219 | 4719 | 35001 |
| | 5231 | 4772 | 35001 |
| | 5232 | 4751 | 35001 |
| | 5232 | 4771 | 35001 |
| | 5233 | 4742 | 35001 |
| | 5233 | 4753 | 35001 |
| | 5233 | 4759 | 35001 |
| | 5233 | 4762 | 35001 |
| | 5234 | 4752 | 35001 |
| | 5239 | 4741 | 35001 |
| | 5239 | 4753 | 35001 |
| | 5239 | 4761 | 35001 |
| | 5239 | 4763 | 35001 |
| | 5239 | 4764 | 35001 |
| | 5239 | 4773 | 35001 |
| | 5251 | 4791 | 35001 |
| | 5252 | 4781 | 35001 |
| | 5252 | 4782 | 35001 |
| | 5252 | 4789 | 35001 |
| | 5259 | 4791 | 35001 |
| | 5259 | 4799 | 35001 |
| General transportation | 6010 | 4911 | 37001 |
| | 6010 | 4912 | 37001 |
| | 6010 | 5221 | 37001 |
| | 6021 | 4921 | 37001 |
| | 6021 | 4922 | 37001 |
| | 6022 | 4922 | 37001 |
| | 6023 | 4923 | 37001 |
| | 6110 | 5011 | 37001 |
| | 6110 | 5012 | 37001 |
| | 6120 | 5021 | 37001 |
| | 6120 | 5022 | 37001 |
| | 6210 | 5110 | 37001 |

| | | | |
|---|---|---|---|
| | 6210 | 5120 | 37001 |
| | 6220 | 5110 | 37001 |
| | 6220 | 5120 | 37001 |
| | 6301 | 5224 | 37001 |
| | 6302 | 5210 | 37001 |
| | 6303 | 3315 | 32001 |
| | 6303 | 5221 | 37001 |
| | 6303 | 5222 | 37001 |
| | 6303 | 5223 | 37001 |
| | 6304 | 7911 | 42001 |
| | 6304 | 7912 | 42001 |
| | 6304 | 7990 | 42001 |
| | 6309 | 5229 | 37001 |
| | 6309 | 7490 | 42001 |
| | 6411 | 5310 | 38001 |
| | 6411 | 8219 | 42001 |
| | 6412 | 5320 | 38001 |
| Telephony and Internet | 6420 | 6110 | 38002 |
| | 6420 | 6120 | 38002 |
| | 6420 | 6130 | 38002 |
| | 6420 | 6190 | 38002 |
| | 7240 | 5811 | 23001 |
| | 7240 | 5812 | 23001 |
| | 7240 | 5813 | 23001 |
| | 7240 | 5819 | 23001 |
| | 7240 | 5820 | 38002 |
| | 7240 | 5920 | 38002 |
| | 7240 | 6010 | 38002 |
| | 7240 | 6020 | 38002 |
| | 7240 | 6312 | 38002 |

# Annex 2 List of meetings with data and information providers

**Table A2-1: Meetings: quantitative and qualitative information providers**

| Official Providers of Statistical Information | | |
|---|---|---|
| Institution | Department | Observation |
| Central Bank of Ecuador | Director of Macroeconomic Analysis/National Accounts Department | Collaboration agreement for the construction of a database of ISIC industries for the indicators: value-added, employment and foreign trade. |
| National Institute of Intellectual Property Rights (IEPI) | National Copyright Directorate | Requirement of a database with the records of all the enterprises or natural persons registered in the IEPI for copyrights. Requirement of official contact to collect information from the Collective Management Societies: SAYCE, EGEDA, SOPROFON and UNIARTE. |
| National Statistics Institute (INEC) | Office of the Executive Director | Requirement of a database of ISIC industries for the Value Added and Employment indicators. The sources of information are: the National Economic Census 2010 (NEC), Employment and Unemployment Survey (ENEMDU) and other statistical instruments. |
| Ministry of Culture and Heritage | Satellite Accounts Project | Formal data delivery and review of the information. Potential adjustments. |
| Interviews – Industries | | |
| Type of industry | Institution | Position of interviewed person |
| Core | Chamber of Small and Medium Enterprises of Pichincha (CAPEIPI) – Graphics sector | Former President |
| | La Casa Nostra Studio | Musician |
| | Rayuela Bookstore | Writer/Owner of bookstore |
| | Ecuadorian Software Association (AESOFT) | Executive Director |
| | National Film Council of Ecuador (CNCINE) | Director |
| | Ecuadorian Photographers Association | President |
| | Other Eye Films | CEO |
| | Nexsys of Ecuador | Commercial Manager |
| | Sucre Theater | Producer |
| | CODEU Library (Corporation for the Development of University Education) | Executive Vice-President |
| | | |
| Interdependent | Microsoft | Marketing Director |
| | Xerox Ecuador | Manager for Ecuador's office |
| | Cobiscorp (Financial technology partners) | Marketing Analyst |
| | Sukasa | Commercial Department |
| | | |
| Partial | Cardana Shoes | Owner |
| | Arias Design | Graphic designer |
| | Fundepim Corporation | Executive Director |
| | Pumapungo Museum | Director |

| | | |
|---|---|---|
| | Ecuadorian Association of Wood Industries (AIMA) | Executive Director |
| | Ministry of Industries and Productivity (MIPRO) | Technical officer |
| | Ecuadorian Federation of Metal Industries (FEDIMETAL) | Executive Director |
| | | |
| All industries | National Chamber of Industries and Production | Technical Director |

# Annex 3 Information not available on the industrial surveys (INEC) regarding copyright industries

| Sector | ISIC Rev 4 | |
|---|---|---|
| Manufacture | 9100 | |
| | 9900 | |
| | 1313 | |
| | 1820 | |
| | 2680 | |
| | 2731 | |
| | 3030 | |
| | 3311 | |
| | 3312 | |
| | 3313 | |
| | 3315 | |
| | 3319 | |
| | 3320 | |
| Retail | 4762 | |
| | 4789 | |
| Service Sector | 4911 | 5223 |
| | 4912 | 5224 |
| | 4921 | 5229 |
| | 4922 | 5310 |
| | 4923 | 5320 |
| | 5011 | 5812 |
| | 5012 | 5913 |
| | 5021 | 6399 |
| | 5022 | 7721 |
| | 5110 | 7722 |
| | 5120 | 8542 |
| | 5210 | 8550 |
| | 5221 | 9102 |
| | 5222 | 9412 |
| | 9524 | |

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